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PROVISIONAL INTELLIGENCE REPORT

ORGANIZATION AND TURNOVER SECTION OF SOVIET RETAIL TRADE
1948-52

CIA/RR PR-46

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FOREWORD

This report covers types, numbers, distribution, and organization of legal retail outlets, the ratio of the numbers of these outlets to the labor force, and the sales to the population. It excludes prices, size of outlets, numbers and training of employees, and all aspects of the functioning of the retail trade system. Although the main emphasis is on the years 1943-52, occasional references for the sake of comparison are made back to the year 1940 and to years intervening between 1940 and 1943. The report takes into consideration all data available on the subjects covered as of 1 May 1953.

The purpose of this report is to provide an introduction to the features of the Soviet retail trade system mentioned above. Although the report is provisional, it is hoped that it will provide the basis for a formal report at a later date and, in any case, provide data of assistance in evaluating the level of consumption of the average Soviet worker and in suggesting future trends in retail trade.

This report represents one part of a larger project. Other parts dealing respectively with retail trade in textile consumers' goods, food supplies, and household goods will follow later. - ? - *these were cancelled.*

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ORGANIZATION AND TORN OVER SECTION
OF SOVIET RETAIL TRADE*
1948-52

Summary

Soviet trade at present is carried on by three main systems: the state, the cooperative, and the kolkhoz. Within the state trading system the Ministry of Trade** has by far the largest number of retail outlets, but a significant number belong to industrial and other ministries and departments. The cooperative trading network is administered by three groups -- the Consumers' Cooperatives, which have the great majority of the trading enterprises; the Industrial Cooperatives; and the Invalids' Cooperatives. The kolkhoz trading system consists of markets, bazaars, and fairs.

The over-all supervision of Soviet trade is carried out by the highest executive and administrative organ of the state, the Council of Ministers of the USSR. The Ministry of Trade, however, is the main government planning and administrative agency in the entire field of retail trade, and, in addition, it is responsible for the supervision of kolkhoz trade. The retail outlets of the Consumers' Cooperative system are administered by Tsentrosoyuz, the Central Union of Consumers' Cooperatives. In the state and cooperative trading network the state establishes prices according to a planned system for the majority of goods sold, whereas in the kolkhoz market prices are "free" -- that is, determined by supply and demand.

The total number of state and cooperative retail outlets, which was about 398,000 in 1940, was reduced by about one-half during the war, but in 1949 the total exceeded the prewar level, reaching 463,000 in 1952.

* This report contains information available as of 1 May 1953

** Although the Ministry of Trade of the USSR was merged in March 1953 with the Ministry of Foreign Trade of the USSR to form the Ministry of Internal and External Trade, this merger was dissolved on 15 September 1953 and the earlier arrangement of separate Ministries -- one for Trade, another for Foreign Trade -- re-established. Another reason for using the earlier name (as is the case throughout this report) is that the report is concerned only with the period up through December 1952.

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The total continued to increase in each of the postwar years, although at less than the planned rate. During this period the rate of expansion of the state or urban trading system was, on the whole, somewhat higher than that of the cooperative or primarily rural trading network. Relative to the total labor force, however, the total number of retail outlets showed a decline of about 10 percent from 1940 to 1952. This decline was most marked with regard to the agricultural labor force, which was in 1952, as it had been in 1940, less well serviced by retail outlets than the nonagricultural labor force and even less well supplied with such enterprises than it had been in 1940.

In 1952 the volume of sales* to the population by the state and cooperative networks reached a figure 123 percent above the comparable figure for 1940, the corresponding increase in sales per capita labor force of these networks being 77 percent. The gap between per capita sales to the nonagricultural and to the agricultural segments of the labor force, which was high in 1940, had not appreciably narrowed by 1952. Increases in 1952 over 1947 were even greater than the increases over 1940. In volume, and considering the state and cooperative systems alone, they were roughly 160 percent for total sales and 150 percent for per capita sales to labor force.

Inasmuch as the average annual Soviet wage has been slowly rising since 1946** and inasmuch as it is known to have been higher in 1946 than in 1940, the general significance of these findings appears to be as follows: (1) the level of consumption of the average Soviet worker rose steadily during the postwar years and at the end of 1952 considerably exceeded the level of 1940,*** and (2) the disparity between the level

* Volume of sales, in this report, refers to sales measured in constant rubles -- that is, sales whose value in current rubles has been adjusted to take account of price changes.

** For statements on wage trends since 1946 which appear here and in other places in this report, see CIA/RR PR-33, Soviet Wages and Wage Differentials, Jun 1953. C. Eval. RR B-2.

*** This statement must be interpreted cautiously. For one thing, it is based upon figures for volume per capita derived by dividing total sales volume by numbers in the labor force alone and not the entire population. For another thing, it throws no light on the two important questions of how evenly the rise in level of consumption was distributed among (1) the major consumer groups into which the population as a whole divides or (2) the major wants into which the individual's over-all demand is broken down (food, clothing, semiluxuries, etc). It is possible and even probable that favored groups among the population like party workers, the managerial class, etc., benefited disproportionately. It is possible and even probable that consumption of semiluxuries and highly-fabricated industrial products rose at a faster rate than items of consumption as a whole, consumption of food and clothing at a slower rate. These are matters which, while well deserving of investigation, have for reason of keeping this report within manageable limits have been excluded from the discussion.

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of consumption of the agricultural and nonagricultural segments of the labor force, which strongly favored the former in 1940, remained virtually unchanged in 1952.

An additional conclusion of considerable significance for the future is that the Russians appear in the period mentioned to have been making slow but certain progress toward their eventual goal of socialization of the entire retail trade sector of the economy. Prospects are good that state trade will continue to expand at the expense of the other two trading systems, and it is even possible that its rate of expansion will accelerate in future years.

I. Introduction.

Soviet trade at present is carried on by three main systems: the state, the cooperative, and the kolkhoz market. In the state and cooperative trading network, the state establishes prices according to a planned system for the majority of goods sold ^{1/}, whereas in the kolkhoz markets prices are "free" -- that is, determined by supply and demand. All retail sales to individual state and cooperative trade enterprises, the procurement of agricultural and industrial commodities by state and cooperative enterprises, and all wholesale trade constitute the organized market. The kolkhoz market is known as the unorganized market. ^{2/}

According to Marxist-Leninist theory, the existence of commercial trade, or the exchange of goods for money, and the three Soviet trading systems are made necessary by the conditions of the present socialist stage of society. At present the socialization of urban industry and the urban proletariat is virtually complete, whereas agriculture and the peasantry are in a less advanced stage. Although collective farms represent a start toward the socialization of the countryside, despite Soviet claims, some progress remains to be made in socializing rural areas. In view of the disparity between the degree of socialization of urban and of rural areas, commercial trade is tolerated as a means of strengthening the economic bonds between city and country.

^{1/} Footnote references in arabic numerals are to sources listed in Appendix C.

^{2/} When reference is made in this report to the fact that the system is not completely socialized, what is meant is that there still remains some private property plus some right to distribute the produce privately.

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Within commercial trade, the existence of the cooperative trading network side by side with that of the state is also an expression of the advanced socialization of the peasantry. It is permitted because it provides a good means of developing a collective organization of the peasantry. 3/ Another reason for the existence of the cooperative trading system is that it is considered desirable as a means of providing competition* with the state trading organizations and causing consequent improvement of the service of both. 4/ The kolkhoz market is tolerated partly as a means of providing the backward peasantry with an incentive for increasing agricultural production.

Eventually, however, when Communism is finally attained and the peasants and the industrial proletariat are equally integrated into a planned economy, commercial trade will no longer be necessary and will be replaced by a system of direct exchange of goods. As the USSR advances on the road to communism, the disparity between town and country will disappear and all trading organizations will merge under the control of the state, in anticipation of the time when, theoretically, the state also withers away and direct exchange of goods is initiated.

During the period from just before 1917 up to 1947 the relative importance of three Soviet trading systems has shown considerable variation. In czarist times, Russia's small and generally primitive retail network was largely privately operated. Peasant markets, as well as small stores and pack peddlers, existed to serve the rural population. In addition, some trading was carried on by the fairly numerous cooperative organizations.

After the October revolution, the field of action of private and also cooperative trade constricted steadily and, by a decree of 21 November 1918, trade was nationalized. This decree provided for the setting up of a network of state stores and distribution centers and state-controlled cooperative stores with a view to the supply of all consumer goods on the basis of a ration card system, involving class differentiation. This rationing system continued until 1921. At that time, as a result of general discontent, it was replaced by the NEP, an economic system which permitted the coexistence of state, private, and cooperative trade.

The NEP period continued until 1929, when once more a concerted drive was made to suppress private trade. As a result of the rationing system which was introduced in that year and which supplied goods in differential quantities to different categories of the population, various organizations, such as ORS (Otdelenie Rabochago-Snabzheniya) (Departments of Supply for Workers) for the workers of industrial ministries, were set up to cope with the problems of supplying the various classes of consumers. Industrial workers, preeminently those employed in heavy industry

* The term competition is used in a popular sense and does not include price competition.

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received the best rations in regard to both quantity and variety. 5/ Public feeding, which was also largely organized on the differential principle, provided a substantial addition to the rationed supply of foodstuffs for the urban and industrial population. In 1932, in order to combat illicit trade and to stimulate agricultural production, the Soviet government legalized the free sale of agricultural products on the peasant markets, which were thereafter called kolkhoz markets, and the third channel of legal Soviet trade, as presently constituted, came into being.

During the rationing period a new type of retail trading organization was introduced, the "commercial" stores, which sold unrationed supplies of rationed necessities at high prices. Commercial stores supplied those categories of the population which did not receive rations, especially the agricultural population, and served as an outlet for surplus incomes. They also provided a means for preparing for the abolition of rationing, which came to a close in January 1936, by a systematic increase in the range and quality of goods sold through this medium and by a gradual reduction of its prices accompanied by an increase of prices in rationed trade.

At the start of the rationing period, by far the largest distributive system was the Consumers' Cooperatives. Later, state trading organizations increased and eventually in 1936 entirely superseded the Consumers' Cooperatives in all large urban centers.

During the wartime rationing period, which began in July 1941, a pattern of distribution similar to that of the 1931-36 rationing period was reestablished. ORS's were organized in the majority of enterprises in all the most important branches of industry, and public feeding was extended. Commercial stores were reintroduced in 1944 and were used as they had been in the peacetime rationing period. The free kolkhoz market continued to exist.

In the postwar period (1946), it appeared that the cooperatives were to be allowed to supplement the state trading system, as the Consumers' Cooperatives were permitted to establish a retail organization in urban areas. In 1949, however, the urban trading enterprises of the Consumers' Cooperatives, the cooperative system with the most extensive retail network, were cut back and the consumers' cooperative trading system today remains, therefore, for all practical purposes confined to the countryside again.

During the period from 1917 to the present, the state trading system has retrenched when conditions made it necessary, but in general it has managed to expand at the expense of the other systems. For example,

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during the NEP period it was temporarily expedient to restore private trade. As soon as the state and cooperative systems became sufficiently efficient to handle the needs of the population, however, private trade was again suppressed. Free kolkhoz trade is still permitted, but its share of total trade turnover is relatively small, and the goods sold are only those in excess of state requirements. When the kolkhoz market is referred to as "free," it means that prices are not fixed directly by higher authority as they are in the other two major channels. It does not mean that there are no restrictions. On the contrary, there are many. Among others, there are state control of sanitation, prohibition of speculation, and even the indirect control of prices resulting from the power to set the prices in the other markets. In 1935, toward the end of the peacetime rationing period, the state system made great gains at the expense of the cooperative network by confining the cooperatives to rural areas and absorbing their urban outlets. When wartime destruction of state trading enterprises made it difficult to supply the population, the Consumers' Cooperatives were again permitted to trade in urban areas. Three years later, however, in 1949, the largest cooperative trading system, the Consumers' Cooperatives, was apparently again restricted to rural areas and the total cooperative trading network was consequently reduced. Thus, it appears that in retail trade as in other sectors of the economy, the Soviet government, in accordance with Marxist-Leninist theory, is making the transition to Communism through the gradual extension of state control.

The remaining sections of this report treat the year 1948 and are devoted to a more intensive study of the outstanding features of the system as they are today and as they have developed during the last 5 years.

II. Organization of the Retail Trade System.

A. Classification of Outlets.

Of the 3 major trading systems, state trade in 1948 accounted for approximately 3 times as much of total retail turnover as the cooperative system and roughly $6\frac{1}{2}$ times as much as the kolkhoz market. (See Table 5.*) In the state and cooperative trading systems, in addition to stores, shops, booths, and stalls, retail outlets include mobile trading units (handcarts, bicycles, wagons, trucks, and floating stores), whereas in the kolkhoz markets trading is carried on only from stationary structures, that is, small shops, booths, or stalls (see Table 1.**)

* Table 5 follows on p. 40, below.

** Table 1 follows on p. 7.

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Table 1

Principal Legal Retail Outlets in the USSR
1943-52 ^{a/e}

I. State

A. Those run by the Ministry of Trade.

1. Those serving the general public.

- a. Unspecialized: model department stores; univmags; Gastronom, Bakaleya, second-hand stores; Soyuzposyultorg (mail-order service).
- b. Specialized: public feeding enterprises, food stores and industrial goods stores (jewelry, clothing, furniture, and so forth.)

2. Those serving particular groups such as the armed forces (Glavvoyentorg), the population of health resorts, railroad and maritime transport.

B. Those run by other ministries and departments of governments.

- 1. Those serving the general public: for example, meat and dairy stores of Ministry of Meat and Dairy Industry, and so forth. (See Table 2, below for full list**.)
- 2. Those serving the personnel of the ministry: (ORS, Prodsnab).

II. Cooperative

A. Those run by Consumers' Cooperatives.

1. Those serving the general public.

- a. Unspecialized: Raymag, Sel'mag, Sel'po shops, second-hand stores.
- b. Specialized: public feeding enterprises; food stores (wine and tobacco stores); and industrial goods stores (Raykul'tmag, Khozmag, haberdashery stores)

* The footnote for Table 1 follows on p. 8.

** Table 2 follows on p. 11.

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Table 1

Principal Legal Retail Outlets in the USSR
1948-52 a/
(Continued)

2. Those serving particular groups; for example, fishermen, sovkhos workers, and so forth.

B. Those run by Industrial Cooperatives: principally industrial goods and repair stores serving general public.

C. Those run by Invalids' Cooperatives: principally food and industrial goods stores serving general public.

III. "Free"

A. Kolkhoz markets, bazaars, fairs selling agricultural products to the general public.

a. This table excludes the black market; certain minor outlets such as the stores run by the Army Hunting Society and the "Dinamo" Sports Society for the sale of sports goods and hunting equipment; and certain outlets no longer in existence in the period 1948-52 such as the "commercial" stores, which sold the same consumers' goods as the ration stores but without ration coupons and at higher prices. The classification of outlets shown, although based on those found in Soviet sources, does not follow them in all details.

Within the state trading system retail trade is carried on either by the Ministry of Trade, which in 1947 accounted for 39 percent of state and cooperative retail turnover, or by various industrial and other ministries and departments, which all together in that year accounted for a total of 35 percent. 6/ Within the trading network of the Ministry of Trade, retail outlets may be divided into those which serve the general public and those which serve particular groups. The principal retail outlets serving particular groups are the Glavkhorrtorg, stores for the population of health resorts; the Glavtorgaortrans, shops for railroad and maritime transport workers; and the Glavvoyennetorg, stores for officials, employees, and soldiers of the armed forces and their families.

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Within the network of the Ministry of Trade, retail outlets serving the general public may be classified as unspecialized and specialized. Unspecialized retail outlets include mainly unspecialized food stores, such as Gastronom or delicatessens, and Bakaleya or groceries, which are the largest in size and carry the most extensive assortment of any food stores in the country; model department stores, which are found only in the largest cities; stores handling both food products and industrial goods; and unspecialized industrial goods stores. Among the unspecialized industrial goods outlets are the universmags, department stores which are distributed on the basis of one per city, oblast, or large industrial center; the second-hand stores (commission stores and Skupka* stores); and the Soyuzposyltorg, or mail-order office.

Specialized retail outlets of the Ministry of Trade include mainly specialized food stores; specialized industrial products stores; and public feeding enterprises, which are of some significance in the USSR, since in Soviet accounting they are treated as a separated category of trading enterprise. Specialized food stores may limit their stock to food of certain types (meat, fish, and vegetables), or carry only one item of a broader line of foodstuffs (fish). 7/ Specialized industrial products stores carry an assortment falling roughly into 1 of 3 broad categories -- cultural groups, household goods, clothing and accessories -- as well as into certain combinations of these major groups, a few items of the main groups, and other variations too numerous to mention. 8/ The wide range of types of stores of the Ministry of Trade is indicated by the fact that in 1947 the Ministry approved 15 types of city food stores, including 9 specialized types, 1 highly specialized store (handling beverages and ice cream), and 5 less specialized types. In the field of nonfood products, 31 types of stores were approved. 9/ Public feeding enterprises sell meals and refreshments to the population and include factory kitchens, dining rooms, restaurants, coffee houses, tearooms, snack counters, and beer parlors. 10/

Industrial and other ministries and departments also administer retail outlets. These outlets may be divided into those serving the general public and those serving particular groups. The stores serving the general public are those whose main purpose is to sell goods produced by the ministries or by other units closely associated with them. Stores serving the general public may be classified as unspecialized or specialized. The unspecialized stores are those of ministries of local industry of union republics, which sell a mixed assortment of goods produced in local industrial enterprises and are located in the regions where the industrial combine functions or in nearby populated areas. The specialized stores include the stores of industrial ministries, which sell the production of the ministry's enterprises.

* Skupka is derived from the Russian phrase Skupka Veselchey ot Naseleniya, purchase of goods from the population.

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and are called "company" or "firm" stores; for example the chemical products stores of the Ministry of Chemical Industry. (See Table 2.) These stores are located in large cities. In addition, there are certain specialized stores of nonindustrial ministries and departments, such as the drug and sanitary equipment stores of the Ministry of Health. (See Table 2)

The stores serving particular groups are those of the ORS and Prodsnab (foodstuffs supply organizations) whose main purpose is supplying the employees of the industrial ministry to which they are attached with food and industrial goods. In 1947, ORS enterprises accounted for 23 percent of all retail trade turnover, whereas Prodsnab, which are apparently limited to the supply of workers in certain branches of nonferrous metallurgy, accounted for an insignificant percentage of the total. 11/

Table 2

Specialized Stores of Industrial and Nonindustrial
Ministries and Departments 12/

Ministry and Department	Products Sold
Food Industry <u>a/</u> *	bread and bakery products, confectionery, canned goods, tobacco and wine, perfume
Meat and Dairy Industry <u>a/</u>	meat and dairy products
Fish Industry <u>a/</u>	fish
Light Industry <u>a/</u>	textiles, shoes, clothes, knitwear, glass dishes
Chemical Industry	chemical products
Communications Equipment Industry <u>b/</u>	radio goods
Machine and Instrument Building <u>c/</u>	sewing machines, typewriters, and clocks
Automobile and Tractor Industry	automobiles, motorcycles, bicycles

* Footnotes for Table 2 follow on p. 11.

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Table 2

Specialized Stores of Industrial and Nonindustrial
Ministries and Departments 12/
(Continued)

Ministry and Department	Products Sold
Timber and Paper Industry <u>c/</u>	furniture and stationary
Electrical Industry <u>b/</u>	electrical goods
Machine-Tool Building <u>c/</u>	household tools
Health	drugs and sanitary equipment
Communications	Soyuzpechat' newstands for the sale of newspapers, periodicals, stationary
Municipal Services in the Union Republics	repair and building materials
Main Administration of Polygraphic Industry, Publishing and Book Trade (under Council of Ministers, USSR) <u>d/</u>	books
Landscaping trusts of local city executive committees	flowers

a. These 4 ministries were merged into the Ministry of Light and Food Industry following the governmental reorganization of March 1953, and, consequently, their respective stores are now under the jurisdiction of a single ministry.

b. These 2 ministries have been merged into the Ministry of Electric Stations and Electric Industry since March 1953.

c. The 3 ministries have been merged into the Ministry of Machine Construction since March 1953.

d. The Main Administration of Polygraphic Industry has been merged into the new Ministry of Culture.

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The cooperative trading system is administered by the Consumers' Cooperatives, the Industrial Cooperatives, and the Invalids' Cooperatives. In the postwar period, Consumers' Cooperatives accounted for nine-tenths of the total retail turnover of cooperative trade. 13/ The Industrial Cooperatives maintain industrial goods stores, repair workshops, tailor shops, and beauty parlors. The Invalids' Cooperatives maintain food and industrial goods stores. 14/

The Consumers' Cooperative trading system may be divided into outlets serving the general public and those serving particular groups, such as fishermen and sovkhos workers. Stores serving the general public may be classified as unspecialized or specialized. Unspecialized stores include: (1) the Raymag, a rayon department store, trading in a wide variety of industrial goods in a rayon center; (2) the Sel'mag, a store which is opened in large villages at bazaar points and trades in a wide variety of clothing and household articles; (3) the remote Sel'po shop (Selsky Potrebitelsky Kooperativ -- rural consumers' society which is found in sparsely populated areas and sells daily needs (salt, kerosene, soap, and so forth); (4) the main Sel'po shop, which is found in very large villages and trades in a large assortment of foodstuffs and industrial goods; (5) secondhand stores in small cities and large rayon centers, where the Ministry of Trade does not have its own retail network; and (6) rayunivermag, rayon industrial products department stores, which handle all the basic groups of nonfood products in a complex assortment. 15/

Specialized outlets of the Consumers' Cooperative system include: (1) raykul'tmag, rayon cultural goods stores; (2) haberdashery and perfumery stores in rayon centers and large villages; (3) khozmag, paint and hardware stores; (4) wine and tobacco stores, which are found in large rayon centers; and (5) public feeding enterprises. 16/

The remaining trading system, the kolkhoz market, including bazaars and fairs, is the one completely free market in the USSR. There, at free market prices, kolkhozes, kolkhoz farmers, and independent farmers sell agricultural products in excess of state requirements; individual citizens sell their own possessions; and handicraftsmen sell their own works. In addition, state and cooperative organizations sell industrial products at state and cooperative prices. 17/

Kolkhoz markets carry on trade daily and are established in cities where land and equipment is allotted for them. Kolkhoz bazaars are held usually once or twice a week in areas especially set apart for trade, although there are no permanent structures and produce is displayed on the street. Kolkhoz fairs are held once or twice a year during the time free from field work for the mass sale of agricultural products. 18/

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B. Organization and Control.

The over-all supervision of Soviet trade is carried out by the highest executive and administrative organ of the state, the Council of Ministers of the USSR.* This body approves the plans for commodity turnover, distribution of central stocks of consumers' goods, prices on basic commodities, and the structure of trade organizations, and gives directives concerning the basic problems of Soviet trade.

The Ministry of Trade, however, is the main government planning and administrative agency in the field of retail trade. Subject to the approval of the Council of Ministers and the State Planning Commission, the Ministry of Trade, among other things, draws up plans for the development of wholesale and retail trade and public feeding, the total trade turnover of goods, and the distribution and supply of consumers' goods; sets retail prices and the amounts of permissible price cuts and markups on consumers' goods; draws up trade legislation and rules of trade; analyses market conditions; and undertakes statistical accounting of commodity turnover and shipments. 19/ In addition, the Ministry of Trade manages about one-half of all retail trade in the USSR and has the largest retail trade network of any single trading system. The Ministry administers the retail enterprises under its control either through its local organizational subdivisions or directly through certain main administrations and All-Union state offices..

1. Organization of the Ministry of Trade.**

a. Main Subdivisions.

The organization described is that which existed before the recent merging of the Ministry of Trade of the USSR and the Ministry of Foreign Trade of the USSR into the USSR Ministry of Internal and External Trade. 20/ The Ministry of Trade is a Union Republic Ministry with headquarters in Moscow. Subordinate to it are Ministries of Trade on the republic level, which are also responsible to the Council of Ministers of the corresponding republics. Similarly, the organs of the Ministry on the oblast (or kray) level are also accountable to the oblast divisions of the soviets of workers' deputies. Subordinate to the oblast (or kray) divisions of the Ministry are urban divisions and their local trade organizations (torgi) and local enterprises (retail outlets and public feeding units).

The organizational structure of the Ministry also contains certain main administrations and All-Union state offices, which have their own enterprises. The main administrations are primarily of two types: (1) those concerned with setting up and managing model stores

* See Figure 1, following p. 14.

** See Figure 2, following p. 14.

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(specialized or universal and (2) those coordinating the activities of trade organizations which serve individual groups of consumers

Among the first group are Glavgastronom (Main Administration of Model Delicatessen and Grocery Stores), which supervises the Gastronom and Bakaleya food stores (described in previous sections; Glavunivermag (Main Administration of Model Department Stores for the Sale of Industrial Goods), which manages large department stores in more important cities, and Glavyuvelirtorg (Main Administration for Jewelry Production and Trade), which controls all jewelry factories and the network of retail stores selling jewelry and watches.

The second group includes Glavvoyentorg (Main Administration of Trading Enterprises for the Soviet Armed Forces), which manages the activities of military district trading organizations and has a wide network of enterprises for public service; Glavtorgmorts (Main Administration of Maritime Trade), which organizes trade in sea-ports and serves passengers on seagoing ships; and Glavkurorttorg (Main Administration for Trade in Health Resorts), which supplies food products to sanatoriums and rest homes and carries on retail trade in food and industrial goods in health resort areas of All-Union importance. ^{23/} The offices of these main administrations have under them not only networks of trade enterprises but also food-supplying enterprises, auxiliary farms, workshops for the manufacture of clothing and footwear, and repair shops. The Ministry includes the following additional main administrations: Glavtorgplodoovoshch (Main Administration for the Procurement and Sale of Fruits and Vegetables), which supervises trusts and offices in the procurement, processing, and sales of vegetables; Glavtorgmash (Main Administration for the Production of Commercial Machines and Equipment), which is in charge of plants producing machines to be used in trade; and Glavsnab (Main Administration of Production Supply), which supplies trading organizations with trade equipment and special clothing. ^{24/}

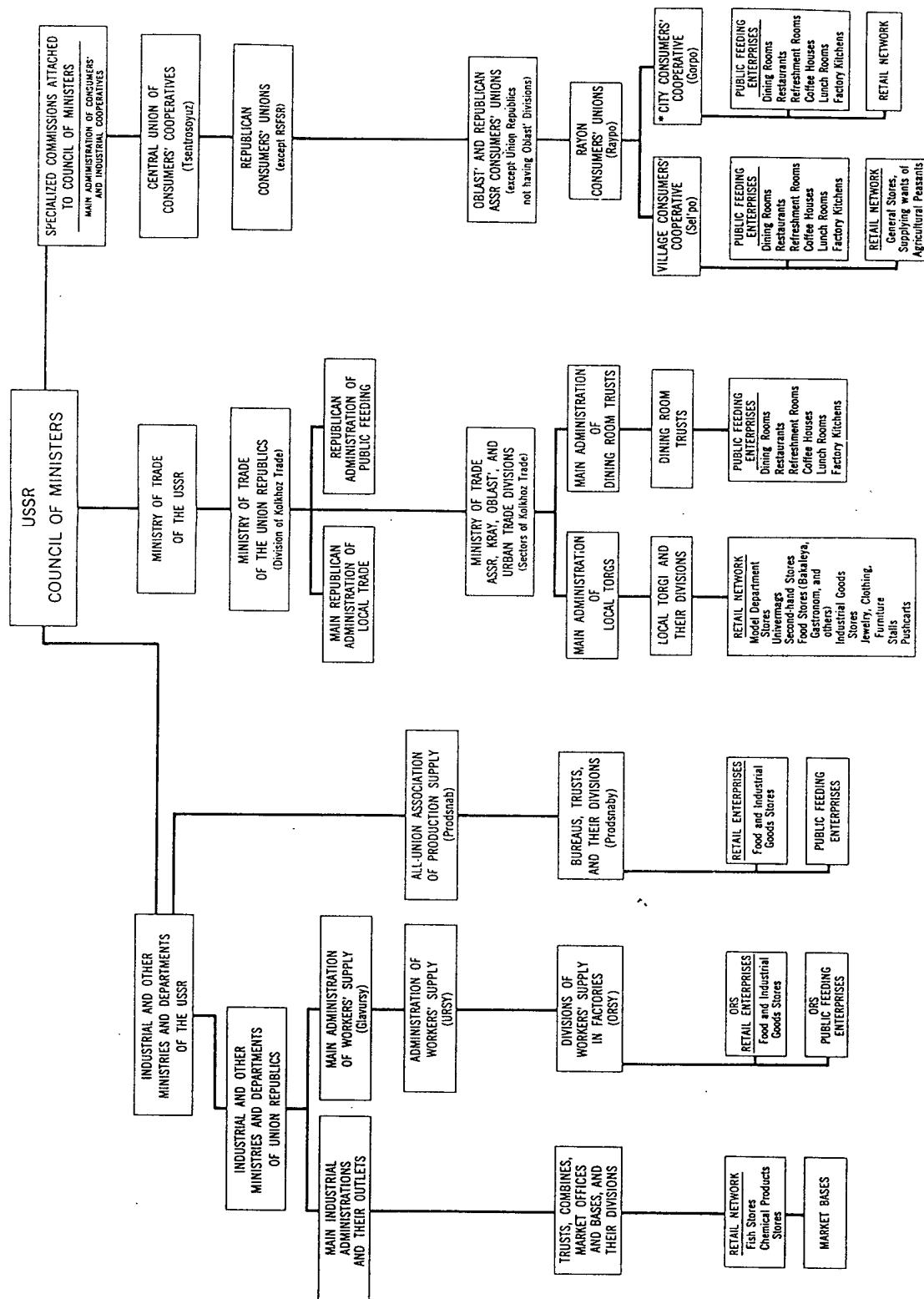
The All-Union state offices, which have their own enterprises, are Soyuzoptgalantereya, Soyuzoptmetiztorg, and Soyuzoptkul'ttorg. These organizations are engaged in wholesale trade in haberdashery, knitted and sewn goods, furs, and carpets; metal products; and stationery and cultural goods, respectively.*

The local torg (trading enterprise) is the main retail sales unit of the Ministry of Trade. Torgi usually direct a chain of stores in a particular city or locality, which sell a specified group of products and supply the main bulk of necessities to most urban consumers. Torgi are classified according to the administrative-

* The available information does not indicate whether the enterprises of these All-Union offices include retail outlets.

ORGANIZATION OF STATE AND CONSUMERS' COOPERATIVE

Figure 1

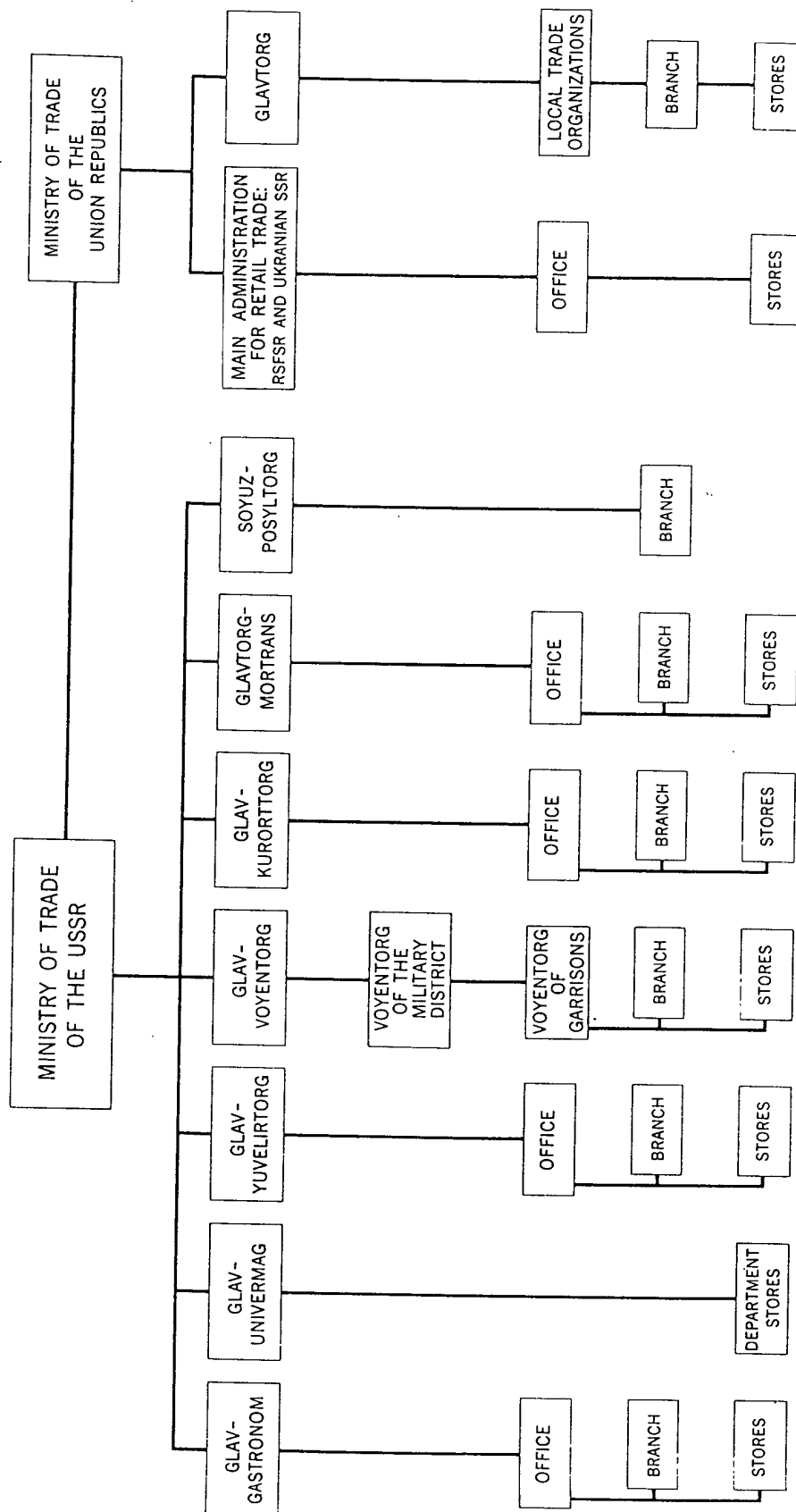


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* Since 1949 the Consumers' Cooperative Trading System has been largely confined to rural areas.

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Figure 2
ORGANIZATION OF THE MINISTRY OF TRADE ^{22/}



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territorial limits in which they can profitably carry on trade, depending on the density of the population in the area they serve. For example, there are torgi which organize trade operations within the limits of a republic, within an oblast, among a group of adjacent rayons of 1 oblast, within city limits, within several rayons of a city, and within the limits of 1 city rayon.

Torgi are further classified according to the type of goods in which they deal. There are miscellaneous torgi which deal in foodstuffs and industrial goods and usually operate in small cities where it is impractical to divide trade activities between two or more trading organizations. In larger cities there are specialized torgi (Promtorgi and Pishchetorgi) which deal in industrial goods and foodstuffs, respectively. In very large cities, such as Moscow, Leningrad, Kiev, and Baku, specialization is carried still further. There are bread torgi (Khlebtorgi), fruit and vegetable torgi (Plodoovoshchertorgi), and torgi for the sale of cultural goods (Kul'ttorgi). 25/

A torg has several staff divisions, namely: Management (Director, Deputy, and Legal Adviser), Organization-Inspection, Trade, Industrial Enterprises, Planning, Bookkeeping, Cadres, and Administration. Of these divisions the Trade Division is the most important. It organizes the purchase of goods and supplies for the retail enterprises under the control of the torg and maintains warehouses for this purpose.

In addition to managing retail enterprises and warehouses, local torgi control subsidiary agricultural enterprises, such as kitchen gardens and dairy and livestock farms. They also organize the production of consumers' goods (nonalcoholic beverages, ice cream, confectionery and sausages) from local raw materials. 26/

b. Typical Torg Stores.

The retail shops belonging to a torg fall into two categories: (1) large autonomous shops, having their own independent budgets, receiving credit direct from the bank and having a fairly large degree of initiative in contracting for supplies; and (2) small shops or even booths and stalls directly managed in detail by the torg. The head of an autonomous shop is termed the Director, and of a small shop, the Manager. 27/

Stores and shops are differentiated from stalls or booths on the basis of having rooms in which customers can walk about. 28/ Stores are, as a rule, on the ground floors of apartments of many stories. Stalls are generally used to carry on trade in thinly populated rayon cities, workmen's settlements, and small rural stations. 29/

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A typical *torg* store is designed to serve the ordinary urban population and is supposedly located at a convenient point for the greatest number of consumers. For example, the food shops sell bread, meat, groceries, and vegetables from separate departments or -- in the smaller shops -- from different parts of the same counter. The industrial goods shops stock textiles, clothing, and boots. Where there are large concentrations of industrial workers, specialized *torg* shops exist for the sale of clothing, footwear, or furniture. Another type of *torg* *univermag* is often located in the immediate neighborhood of the peasant market for the convenience of the peasants bringing products to sell.

Torg shops selling nonfood manufactured goods in Moscow and large cities normally are open from 9 a.m. to about 7 p.m. on 6 days out of the 7-day week. ^{30/} The food shops are open from 9 a.m. to 11:30 p.m. with the exception of the hour from 1 p.m. to 2 p.m., when they are closed for lunch. ^{31/} In the urban area of Astrakhan', and possibly in other lesser cities in the USSR, the smaller food stores are open between 8 a.m. and 6 p.m., the larger food stores between 11 a.m. and 11 p.m., and restaurants (alcoholic drinks available) between 12 noon and 4 a.m. ^{32/} Restaurants and other public feeding enterprises work all the days of the week. ^{33/}

C. Public Feeding Network.

1. State Outlets under the Ministry of Trade.

The major part of the public feeding network is controlled by the Ministry of Trade, although the *ORS* system, *Prodsnaby*, and the Industrial, Invalids', and Consumers' Cooperatives also control a considerable number of public feeding enterprises.

In the organizational structure of the Ministry of Trade of the USSR there is an Administration of Public Feeding, which presumably has supervision of the entire public feeding system. ^{34/} In addition, under the immediate supervision of the Ministry of Trade of the USSR are various main administrations, which control public feeding enterprises. These are specialized as to location or occupational groups served and combinations of the two characteristics. The main administration specialized as to location is: *Mosglavrestoran* (Moscow Main Administration of Restaurants). The main administration specialized as to occupational group served is: *Glavvoyentorg* (described previously), which manages some public feeding enterprises for military personnel and their families.

Those main administrations, which serve both general locations and an occupational group, are *Glavdorrestoran Yugo* (Main Administration of Railroad Lunch Counters and Restaurants of the West and the North)

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and Glavdorrestoren Vostochno (Main Administration of Railroad for the East). In addition, there is Glavkhimortorg, which manages some public feeding enterprises for the population of health resorts.

The Ministry of Trade also directs the public feeding system through its union republic, oblast, kray, and city ministerial branches, which contain sectors of public feeding. These sectors supervise the fulfillment, by combines, torgi, ORS, and other organizations which have public feeding systems, of orders of the Ministry of Trade regarding public feeding. These sectors also press for reduction of waste, supervise the sanitary conditions of public feeding enterprises, and elaborate improved methods of serving the population. 35/

2. State Outlets Under Other Ministries.

a. Retail Stores.

The retail stores which are attached to industrial and other ministries and departments carrying on retail trade are subordinate on the highest level to their respective ministry which in some cases is of the All-Union and in others of the union republic level. Descending the administrative pyramid, the stores are accountable to main industrial administrations and finally to trusts, combines, and market offices. Unlike the organization of the Ministry of Trade, the industrial ministries do not have torgi among the divisions making up their structure.

b. ORS and Prodsnaby.

An ORS is an organization similar to a department within an enterprise (plant or factory), and it and its retail outlets, including public feeding units, are subordinate to the directorate of the plant, factory, or mine in which they are found. An ORS within an industrial enterprise is headed by a deputy director for workers' supply. The general supervision of the ORS in each branch of industry is carried out by a Main Administration of Workers' Supply (Glavurs), which supervises the activity of the ORS enterprises either directly or through the Administration of Workers' Supply (URS), in those cases when the especially large number of the ORS and the complicated administrative structure of the industry made an intermediate link necessary. 36/ An ORS generally includes a trade department, a public feeding establishment group, a department or group for production enterprises (including auxiliary farms), a planning department, an accounting department, and a general department. 37/

Prodsnaby (production supply) exist for serving workers and employees of a few industrial branches of some Ministries, such as the nickel, copper, and tin industries. In the Ministry of Metallurgical Industry, they are subordinated directly to the Glavurs, which, as stated previously, also has control over the OMS organizations within that Ministry. It appears from Figure 1 (above) that when Prodsnaby exists in other industries, they are subordinate to the All-Union Society of Prodsnaby.

3. Organization of Consumers' Cooperative Outlets.

a. Principal Characteristics.

As the Consumers' Cooperatives have a considerably larger retail and wholesale trading network than that of the Industrial and Invalids' Cooperatives, ^{38/} only the organizational structure of Consumers' Cooperatives will be described in this paper.

The basic unit of the Consumers' Cooperative system is the Sel'po, the rural consumers' society. The Sel'po carries on its activities within the territorial bounds of a rural soviet or of several rural soviets. In thinly populated rayons a Raypo (rayon consumers' society) is formed for the whole rayon. In several small cities, which are not served by the trade network of the Ministry of Trade, city consumers' societies (Gorpo) are organized.

Rural consumers' societies are combined within the limits of the administrative rayons into rayon unions of consumers' societies (Raypotrebsoyuzy). There is further integration into oblast or kray unions (Oblpotrebsoyuzy or Kraypotrebsoyuzy), republic unions, and finally into the Central Union of Consumers' Cooperatives (Tsentsosoyuz). The activity of Tsentsosoyuz and the entire system of Consumers', as well as Industrial, Cooperatives is supervised by the Main Administration of Industrial and Consumers' Cooperatives, which was created in 1946 and attached to the Council of Ministers USSR. ^{39/} The Main Administration, among other things, checks on the fulfillment by cooperative organizations of the state plans for the development of trade and production of consumers' goods, takes measures for the improvement of quality and assortment of goods, and combats corrupt practices in trade and production. ^{40/}

The managing organs of all sections of Consumers' Cooperatives (administrative boards of societies and unions) are elected as follows: in the Sel'po, by general meetings of shareholders, and in the remaining groups, by congresses of authorized representatives, selected by subordinate groups. The administrative board of the Tsentsosoyuz is elected by a congress of authorized representatives of the Consumers' Cooperatives of the USSR.

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Members of a consumers' society invest their money in society activities. They contribute shares in amounts determined by the general meeting in the form of money deposits. This share fund represents the basic source of the society's working capital. A Sel'po may have from several hundred to several thousand shareholders.

The usual Sel'po has 2 or 3 shops and supplies the needs of a single village, but the number of shops varies greatly depending upon the size of the village and its prosperity. Large and prosperous Sel'po's usually have their own bakeries, dairies, and sausage-making enterprises and employ a large staff. Additional functions of the Sel'po may include purchase of goods from various industrial wholesale suppliers, and the Sel'po may act as agent for its members in selling surplus farm produce to both cooperative and state purchasing organizations.

The higher links in the hierarchy of the Consumers' Cooperative concentrate on wholesaling functions. The Raypotrebsoyuz, however, also have their own stores in rayon centers for trade in a large variety of goods. Tsentrosoyuz performs roughly the same functions for the Consumers' Cooperatives as the Ministry of Trade does for the corresponding state apparatus. Tsentrosoyuz is responsible for: (1) the development of rural cooperative trade, (2) fulfillment of the state plan for procurement and purchase of agricultural products and raw materials, and (3) organization of its own production of consumers' goods for sale in rural communities.

b. Typical Retail Outlet.

The typical Sel'po shop usually sells various kinds of foodstuffs; cigarettes; and various articles of clothing, crockery, and ironmongery and is served by one or more full-time employees. In large villages or towns where there is a primary industry as well as farming, the individual shop is more specialized. It may sell foodstuffs, clothing, or goods for the common needs of the agricultural peasant. In addition, the Sel'po may have booths or stalls for the sale of 1 or 2 commodities only, such as bread, firewood, and kerosene. Such small selling points are open for 1 or 2 hours at a time and often not more than 2 or 3 times a week.

c. Degree of Socialization and Control.

Although the Sel'po are in theory democratic, in fact they are directed by the state in all essential matters. They are governed fairly closely by the annual economic plan and must adhere to official policy in the matters of pricing and wage rates and capital investment.

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Nevertheless, cooperative trade is not so tightly controlled as state trade. Members of the cooperative share in dividend payments out of the profits of the organization, and managerial initiative rests with representatives of the membership. Although the Consumers' Cooperatives are subject to the turnover tax, they are usually given lower rates than comparable state agencies. In addition to regulating the Consumers' Cooperatives through the turnover tax, the state has imposed a 25-percent profit tax on their operations, but this is generally lower than the equivalent profit tax rate on state industry. 41/

In addition, the Consumers' Cooperative network exerts its own internal controls over trade. The inspectors of the Main Administration for Industrial and Consumers' Cooperatives are authorized to check the work of local cooperative organizations. For this purpose, there is an extensive system of inspectors in republics, krais, and oblasts. In addition, auditing and store commissions which are elected at the general meetings of shareholders supervise the activity of the enterprises of the Sel'po. 42/

4. Other Forms of Control over State and Cooperative Trade.

The general economic activity of state and cooperative organizations and enterprises and their fulfillment of established decrees and instructions concerning trade are supervised by the Ministry of State Control of the USSR, by the State Trade Inspectorate of the Ministry of Trade, and by the State Sanitary Inspectorate of the Ministry of Health of the USSR.

The organs of the Ministry of State Control examine the accounts and expenditures of money and materials at the disposal of the state and cooperative trading organizations. The State Trade Inspectorate of the Ministry of Trade has charge of preventing the use of false weights and measures and the cheating of consumers, checking on the observance by trade enterprises of established retail prices, and controlling the fulfillment by trade enterprises of sanitation rules.

The State Sanitary Inspectorate of the Ministry of Health of the USSR controls the sanitation of food industry enterprises, trade enterprises, and public feeding units. Sanitary inspectors on the republic, kray, oblast, city, and rayon level close stores and warehouses in case of unsanitary conditions, prohibit the sale of food products considered unfit for use, and impose fines for violations of established rules of sanitation and hygiene.

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There is also public control over state and cooperative trade. In state trade, public control is the responsibility of the trade unions, which exercise supervision over shops and public feeding enterprises, strive to eliminate malpractices in trade, and see that customers are properly served. 43/ Public control of an unspecified nature is also carried out by public controllers, who are appointed by the trade union organizations of institutions and enterprises. Another form of public control is the inspection of the work of trade enterprises, which is carried out by members of the trade commissions of the local soviets of workers' deputies.

In the ORS units of industrial enterprises, auditing commissions, which are chosen for a period of 1 year by the general meeting of workers and employees, carry out public control. Their duties include the audit of ORS activities and the elimination of violations of trade rules.

5. Organization of "Free" Outlets -- Kolkhoz Markets.

Kolkhoz markets are held in the USSR in various localities, cities, towns and railroad stations. In cities with a population up to 50,000 persons there is usually 1 market, where, besides meat, milk, fruit, and other food products, trade is carried on in cattle, fodder, fuel, and handicraft goods.

In cities with a population of more than 50,000 people, there are, as a rule, several markets. One of the markets usually engages in trade in agricultural products; others trade in cattle and fodder

According to their construction, city kolkhoz markets are classified as open, covered, or combined. In open markets, trade is carried on from stalls and from covered tables. In covered markets, trade is carried on from special buildings. In combined markets, which have become most prevalent in recent years, trade is carried on from stalls with tables and also in one or several pavillions.

In the trading premises of markets in large cities there are rows of small shops, open stalls, and bare and covered tables for the sale of agricultural products. Most of the shops are rented to collective farms selling meat, dairy produce, vegetables and fruit. There are also shops and booths for state and cooperative trade in industrial goods, such as wooden utensils, readymade clothing, textiles, crockery, or manufactured foodstuffs. The kolkhoz workers and independent peasants rent a small space on tables on which they set out their produce.

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The markets also contain the premises of the State Sanitary Inspectorate (meat and milk inspection stations); veterinary stations; cold-storage warehouses; stations for the hire of weight; tearooms; diningrooms; red corners; savings banks; hairdressing shops; and kiosks for the sale of newspapers, sandwiches, and ice cream. 44/

Peasant markets in the provincial towns are generally large and ill-defined open spaces with 1 or 2 rows of rough wooden booths, which are rented chiefly to kolkhozes regularly sending produce to market. Those peasants who send their wares only occasionally sell from tables or baskets or mats on the ground. 45/

The over-all supervision of kolkhoz markets is carried out by the Ministry of Trade of the USSR. In the Ministries of Trade of union and autonomous republics, divisions of kolkhoz trade administer kolkhoz markets; in kray and oblast trade divisions of the Ministry, sectors of kolkhoz trade perform this function. 46/ These units of the Ministry are responsible for increasing the delivery of agricultural products to the markets, building new markets, and issuing regulations regulating market trade.

In cities numbering at least eight markets, there are managements of markets which are independent organizations, having their own accounts in the state bank. On 1 January 1948 there were 70 such managements, which control the activity of the markets, and fulfill resolutions, orders, and directives of the organs of local soviets and of the Ministry of Trade and Council of Ministers of the USSR. In cities which have from 3 to 8 markets, there is an Inspector of Kolkhoz Trade.

Although prices on the free peasant market all over the USSR are determined by supply and demand and may change quickly, the government's influence over the prices farmers receive in these markets is indirectly but powerfully carried out through two channels. First, sellers in the kolkhoz markets are in competition with the state and cooperative stores -- that is, the supply of goods available in state stores and the prices of these goods are important factors influencing consumers' decisions whether or not to buy in the farm markets and, second, only the surplus left over after the obligatory deliveries have been made to the state may be sold by the peasants at the usually higher prices urban consumers are willing to pay.

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III. Numbers of Retail Enterprises.

This section, which is based on information found in Table 3,* attempts to show trends in the number of state and cooperative enterprises in the USSR and in retail outlets in each of the three major trading systems: state, cooperative, and kolkhoz markets. Information concerning these totals is scanty and indirect and is derived from the state plans, occasional mention of numbers of trading enterprises in newspaper articles, or from Soviet authors writing on domestic trade. Absolute data concerning the number of retail enterprises in any trading system are almost completely lacking. With these limitations, Table 3 can, therefore, be regarded only as a rough approximation of the actual situation.

A. Present Situation.

The total number of state and cooperative retail outlets, excluding the kolkhoz markets, which numbered approximately 8,044 on 1 January 1950, appeared to be about 463,000 on 1 January 1953. Of this total, approximately 210,000, or 45 percent, belonged to the state system; 253,000 or 55 percent, belonged to the entire cooperative trading system, including the Consumers', Invalids', and Industrial Cooperatives; and 228,000, or about 49 percent, belonged to the network of the Consumers' Cooperatives, the largest cooperative trading system.

B. Trends 1940-52.

1. All Retail Trading Enterprises.

The retail trade network exceeded the prewar level in 1949 and has continued to expand each year although at less than the planned rate. The total number of retail trade enterprises in the state and cooperative system was reduced somewhat less than one-half from 1940 to 1943, the high point of the German invasion of the USSR. From 1943 to the end of 1952 the total had risen steadily, despite a shortage of shops, which are, of course, only one of several types of trading enterprises.

* Table 3 follows on p. 24.

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Table 3

Number of Retail Enterprises in the USSR by Major Channels
1940-52

Year	Total State and Cooperative	State <u>a/</u>	Cooperative (All Types) <u>b/</u>	Consumers' Cooperative	Kolkhoz Markets
1940	398,000 <u>c/</u>	148,000	250,000	225,000 <u>d/</u>	7,000 <u>e/</u>
1941	N.A.	N.A.	N.A.	N.A.	N.A.
1942	N.A.	N.A.	N.A.	N.A.	N.A.
1943	200,000 <u>f/</u>	73,000	127,000	114,000 <u>g/</u>	N.A.
1944	200,000 <u>h/</u>	N.A.	N.A.	N.A.	N.A.
1945	248,000 <u>i/</u>	N.A.	N.A.	N.A.	6,714 <u>j/</u>
1946	285,000 <u>k/</u>	135,000	150,000	135,000 <u>l/</u>	N.A.
1947	340,000 <u>m/</u>	151,000	189,000	170,000 <u>n/</u>	N.A.
1948	384,000 <u>o/</u>	165,000	219,000	197,000 <u>p/</u>	N.A.
1949	409,000 <u>q/</u>	179,000	230,000	208,000 <u>r/</u>	8,044 <u>s/</u>
1950	433,000 <u>t/</u>	191,000	242,000	218,000 <u>u/</u>	N.A.
1951	449,000 <u>v/</u>	201,000	248,000	223,000 <u>w/</u>	N.A.
1952	463,000 <u>x/</u>	210,000	253,000	228,000 <u>y/</u>	N.A.

a. All totals for number of state retail enterprises have been formed by subtracting the total number of cooperative retail enterprises in all years from 1940 to 1952 from the total number of state and cooperative retail enterprises.

b. All figures for total number of cooperative retail enterprises in all years have been formed from the figures for total number of Consumers' Cooperative retail enterprises by adjusting the latter in accordance with the proportion of Invalids' and Industrial Cooperative retail enterprises to the Consumers' Cooperative network in January 1948. In January 1948, Industrial Cooperatives operated a total of 20,577 outlets. 47/ This total 20,577 is divided by the total of cooperative outlets of all kinds of 190,577 which gives a result of about 11 percent, which we have rounded to 10 percent. 48/

c. 49/

d. The figure for the total number of Consumers' Cooperative retail enterprises in 1940 is formed by subtracting from the total number of Consumers' Cooperative enterprises the sum of 226,495, including public feeding, planned for 1 January 1942, the planned increment for the year 1941 or 1,720, which gives a remainder of 224,775. This is rounded to the nearest thousand. 50/

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Table 3

Number of Retail Enterprises in the USSR by Major Channels
1940-52
(Continued)

- e. 51/
- f. In the territory subjected to occupation 216,700 stores, dining rooms, restaurants, and other trade enterprises were destroyed or partly destroyed. This 216,700 subtracted from 1940 figure for total number of state and cooperative retail enterprises, gives a remainder of 181,300. As some trading enterprises were undoubtedly built in the unoccupied areas of the USSR from 1940 to 1953, the figure 181,300 has been arbitrarily increased to 200,000. 52/
- g. Following the destruction occasioned by the German occupation, the number of Consumers' Cooperative shops remaining open fell to 95,831. 53/ The figure 114,000 is obtained by applying the ratio of shops to total retail enterprises which existed in 1940. 54/
- h. This total is based on Trud, 17 December 1947, as quoted in US Embassy Report No. 8, 4 March 1948. C. 55/ This figure is obtained by subtracting 120,000 from the total of 340,000 for 1947. The 120,000 is obtained by adding to the 100,000 trading enterprises from 1 January 1945 to July 1947, as reported in Trud, 17 December 1947, the figure of 20,000, representing an estimate of additional openings between July and the abolition of ration cards in December 1947. A second source confirms these calculations by stating that the trade network decreased by 44.6 percent on 1 January 1945 compared to the prewar period and by stating that the increase for the 3 year period 1945-47 amounted to 120,000. 56/
- i. This figure is derived from information in Narodnoye Khozyaistvo, 1947, as quoted in US Embassy Report No. 8, 4 March 1948, C, to the effect that there were to be opened 235,000 enterprises during the Fourth Five Year Plan and that total outlets at the end of the Plan were to number 85,000 more than the number in 1940, or 483,000. 57/
- j. 58/
- k. This total is based on Gosplan as quoted in US Embassy Report No. 8, 4 March 1948, C, which gives 55,000 enterprises opened during 1947; this figure is subtracted from 1947 figure. 59/
- l. In 1947 the trade network of rural Consumers' Cooperatives increased by 25,200 enterprises. 60/ In 1947-48, Consumers' Cooperatives opened more than 20,000 trade and public eating enterprises in cities and workers' settlements. 61/ There were about 10,000 Consumers' Cooperatives in cities at the end of 1947. 62/ Thus, it is assumed that 20,000 minus 10,000, or about 10,000, Consumers' Cooperative trading enterprises were added in cities in 1947. The 10,000 for city increase in 1947 is added to the 25,200 or rural increase to get total increase for 1947 of 35,300. 35,200 is subtracted from 1947 figure and rounded to the nearest thousand.

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Table 3

Number of Retail Enterprises in the USSR by Major Channels
1940-52
(Continued)

- m. Based on US Embassy Moscow, Report No. 100, 11 December 1947, R, to the effect that achievement fell somewhat short of planned figure of 348,000. 63/ Confirmed by second source in manner explained by footnote h, above. 64/
- n. 65/
- o. In 1946-48 alone, 82,000 stores and 54,000 tents were opened. 66/ Total 136,000 added to total of state and cooperative enterprises in 1945 to obtain total for 1948. It is not certain whether public feeding enterprises are included in total.
- p. The network of Consumers' Cooperatives increased by 27,000 enterprises in 1948. 27,000 is added to the figure in 1947. 67/
- q. Total for 1949 has been formed by subtracting the 1948 from the 1950 figure and dividing the difference by 2 to obtain an even increase for intervals from 1948 to 1949 and from 1949 to 1950. This quotient is added to the 1948 figure and rounded to the nearest thousand. An independent source states that by the end of 1949 the number of stores in the USSR increased 97.9 percent in relation to 1940, which seems to indicate that our 1949 figure is, if anything, high. 68/
- r. The Consumers' Cooperatives opened 11,000 new trade enterprises in 1949. This 11,000 added to figure in 1948. 69/
- s. 70/
- t. 8,000 new shops were opened in state and cooperative trade in 1951. 71/ Since the ratio of shops to the total number of trading enterprises added in the years 1947-52 is about 1 to 2, 8,000 is multiplied by 2 and subtracted from 1951 figure to get total for 1950.
- u. In 1950 the Consumers' Cooperatives opened more than 10,000 new trade enterprises. 72/ This figure is added to the figure for 1949.
- v. Nearly 7,000 new shops were opened in state and cooperative trade in 1952. 73/ Since the ratio of shops to the total number of trading enterprises added in the years 1947-52 is about 1 to 2, 7,000 is multiplied by 2 and subtracted from 1952 figure to obtain the total for 1951.
- w. It has been assumed that the ratio between increases in outlets for the total system in 1951 and 1952 is also the ratio between increases in Consumers' Cooperative outlets in these 2 years.
- x. In the period 1947-52 the number of retail and public feeding enterprises in the country increased by more than 178,000, of which 97,000 or slightly more than one-half were stores. 74/ 178,000 added to the figure for end of 1946.

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Table 3

Number of Retail Enterprises in the USSR by Major Channels
1940-52
(Continued)

y. The number of trade enterprises subordinated to Tsentrosoyuz (or the Central Union of Consumers' Cooperatives) in rural areas increased by nearly 57,000 from 1948 to 1 October 1952. ^{75/} On the assumption that additions to the Consumers' Cooperative system in the towns, in the early part of this period were offset by the known cutback of this part of the system in 1949, 57,000 is taken to be a measure of the net growth of the entire Consumers' Cooperative system and added to the 1947 figure to give a figure of 227,000 for 1 October 1952. The figure 228,000 for December 1952 is based on the following 2 assumptions: (1) that the ratio between the 1951 and 1952 increase in number of shops for the state and cooperative system combined is also the ratio between the 1951 and 1952 increase in Consumers' Cooperative outlets, and (2) that the increase from 1 October to the end of the year 1952 was one-fourth of the total increase for the year.

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In 1947 the total appears to have fallen below the planned level of 348,000 enterprises by some 8,000 units, or about 3 percent. Again in 1950 the total apparently fell below the planned figure of 485,000 76/, but in this year the shortfall was 52,000 enterprises, or roughly 10 percent. Although no information has been found which points to a failure to reach the plan for the total number of retail enterprises in 1950, no claim is made in any available source to the effect that the planned level was reached. As plan fulfillment in any sector of the economy is customarily emphasized by Soviet sources, it is assumed that there was indeed a serious shortfall in the numbers of retail outlets in 1950.

The statement of A.I. Mikoyan, Minister of Internal and Foreign Trade, in March 1950, that there was a shortage of shops and that the number of shops had not reached the prewar level also suggests that the retail network had not increased as rapidly as planned. He added that among the specialized shops of the Ministry of Trade of the USSR, which has the largest retail network in the state system, there were at the end of 1949 only 84 percent as many food stores and 83.3 percent as many shops selling industrial goods as there were in 1940. He also stated that the task of 1950 was not only to reach but to exceed the prewar number of specialized shops. 77/

The rate of expansion of the total number of trading enterprises from 1948 to the end of 1952 is considerably slower than the rate in the period from 1943 to 1948. The largest increase in the total number of trading enterprises occurred from 1946-47, as a result of the government's effort to restore and expand the retail network following the ravages of the war and to satisfy somewhat more adequately the desires of the population for consumers' goods, which had of necessity been repressed in wartime.

In 1952 the total retail network had not yet reached the planned level for 1950. In general, the slow increase in the total number of retail outlets in the USSR probably arises from the unwillingness of the government to divert sufficient resources from its build-up of producers' goods and war potential to meet adequately the needs of the population for improved distribution of consumers' goods.

2. State Retail Trading Enterprises.

Absolute data concerning the number of state enterprises are almost completely lacking. The totals shown for the number of state retail enterprises, which are primarily confined to urban areas,

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must be regarded, therefore, with some reservation, as they have been formed by subtracting the total number of cooperative enterprises from the total number of state and cooperative enterprises.

The number of state retail outlets appear to have surpassed the prewar level and to have expanded slowly each year in the postwar period following a considerable decline in numbers during the war. The rate of growth was greatest in the early postwar years, from 1946-47 and from 1947-48, and declined by approximately one-half during the later postwar years. In the whole, the whole period 1940-52 the rate of expansion of the enterprises of the state trading system has been higher than that of the Consumers' Cooperative trading system and probably reflects the increased emphasis given by the government to meeting the needs of urban rather than rural consumers. No information is available concerning the planned levels for the number of state retail trading enterprises.

3. Total Number of Consumers' Cooperative Retail Trading Enterprises.

Information concerning the number of retail enterprises of the Consumers' Cooperative system, which is apparently confined to rural areas, is relatively firm and abundant. No information is available concerning the number of retail outlets of the Industrial and Invalids' Cooperatives, which operate primarily in urban areas, with the exception of 1948 when they had roughly one-tenth of the number of Consumers' Cooperative units. The totals shown for the number of cooperative trading enterprises have been formed by adjusting the figures for number of Consumers' Cooperative outlets in accordance with the ratio stated above. The totals for all cooperative trading systems will, therefore, reflect the trends shown by the totals for Consumers' Cooperative retail outlets and will not be discussed in this report.

The number of retail enterprises in the Consumers' Cooperative system appear to have increased rather slowly, having slightly exceeded the prewar level only in 1952. The total number of enterprises of this network was reduced by nearly one-half from 1940 to 1943 as a result of heavy losses during World War II. From 1946 to 1952 the total number of Consumers' Cooperative outlets grew steadily each year. The greatest increase took place from 1946-47 coinciding with the government's decision in the fourth quarter of 1941 to permit the Consumers' Cooperatives to reopen retail trading units in urban areas. 78/ From 1948-49 the rate of growth of this system was roughly halved as a result of the cutback of its retail outlets in cities in that year. 79/

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The restoration of the rural network, which for practical purposes is administered by the Consumers' Cooperatives, appears to have been slower than planned. The 1947 Plan contemplated 198,000 rural trading enterprises, but the number of enterprises in the Consumers' Cooperative system appears to be only 170,000 at the end of 1947 or about 15 percent below Plan. ^{80/} Furthermore, in early 1948 the trade network of rural Consumers' Cooperatives had reached only 78.3 percent of the prewar level. ^{81/} Also in 1949 the restoration of Consumers' Cooperative trading enterprises in villages was still falling behind Plan. ^{82/}

From 1949-52 the rate of expansion of Consumers' Cooperative trading outlets has declined each year, being smallest from 1951-52. The steady decrease in the rate of growth of these enterprises since 1949 has caused a decline in the ratio of these enterprises to the total number of retail enterprises in the USSR.

In 1940 the ratio of Consumers' Cooperative outlets to the total number of retail enterprises was about 56 percent, while in 1952 it had declined to about 49 percent of that total. Thus, although the Consumers' Cooperative units expanded about twice as rapidly as those of the state in 1946-47 and in 1947-48, the rate of expansion of the Consumers' Cooperative outlet has been less than that of the state trading system in the years from 1950-52, and in the period from 1940 on viewed as a whole. Also the state network surpassed the prewar level in 1947, whereas the Consumers' Cooperative outlets barely surpassed it in 1952. The decline in the ratio of the Consumers' Cooperative retail network to the total retail trading system appears to be in line with Marxist-Leninist theory that the state in a more advanced stage of socialization should eventually supersede the cooperatives and control all internal trade.

4. Kolkhoz Markets.

The number of kolkhoz markets has recovered from wartime losses and now exceeds the prewar level. There were approximately 7,000 kolkhoz markets in 1940. ^{83/} In 1945 there were only 6,714 kolkhoz markets, a reduction of about 4 percent from the prewar level. On 1 April 1949, out of a total of 1,775 markets, 3,718 were located in cities, and 4,057 were rural markets. On 1 January 1950 the number of markets reached 8,044, a gain of about 19 percent as compared with 1945 and of about 10 percent as compared with 1940. The rate of increase of the kolkhoz markets from 1940 to 1950 is about that of the state trading network during the same period. ^{84/} No information is available concerning planned figures for kolkhoz markets or concerning the number of markets for any year later than 1 January 1950.

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5. Specialized Trading Enterprises.

A major trend of the postwar period has been the considerable increase in the number of specialized trading enterprises, particularly in the state trading system, which caters to the urban population, and to a lesser extent in the Consumers' Cooperative network, which is predominant in rural areas. For example, in the network of the Ministry of Trade, which has the largest number of trading enterprises in the state system, the number of specialized stores in the years 1947-48 rose as follows: bakeries, 56 percent; meat and fish stores, 460 percent; milk stores, 367 percent; and fruit and vegetable stores, almost 6 times. Still more significantly rose the network of specialized stores for the sale of industrial goods. ^{85/} In addition there has been some increase in the number of specialized stores in rural localities.

Among the specialized trading enterprises in rural areas, the number of public feeding enterprises rose 60 percent in December 1952 as compared with 1940. ^{86/} The number of public feeding enterprises in both the state and cooperative systems rose by approximately 21 percent in 1950 as compared with 1940, or from 86,000 in December 1940 to roughly 104,000 in December 1949. ^{87/}

6. Ratio of Retail Outlets to the Labor Force.

At present there are approximately 521 retail outlets per 100,000 of the total labor force. Table 4* indicates that the ratio of the total number of retail outlets to the total labor force has declined from 565 to 521, or roughly 10 percent from 1940 to 1952. Although this decline indicates that the labor force was less well supplied with retail outlets in 1952 than it was in 1940 and that distribution of consumers' goods to the population may not be as efficient now as in the prewar period, it must be remembered that the above-mentioned ratio is only a very broad gauge of the efficiency of the retail trade system and does not take into account other possible off-setting factors.

There were only 447 rural outlets per 100,000 of the agricultural labor force in 1952 as compared to 622 urban outlets per 100,000 of the nonagricultural workers in that year, the ratio of rural outlets to the agricultural labor force being 28 percent less than the ratio of urban outlets to the nonagricultural labor force. It appears from Table 4 that the trend from 1940 to 1952 in the ratio between the number of retail outlets to the labor force has tended to favor the nonagricultural rather than the agricultural labor force. Even in 1940 the nonagricultural labor force was better supplied with retail outlets than was the agricultural labor force, the ratio of rural outlets to the

* Table 4 follows on p. 33.

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agricultural population being approximately 15 percent less than the ratio of urban outlets to the nonagricultural labor force. The ratio of retail outlets to both the agricultural and nonagricultural labor force declined severely during the war, but the ratio of urban outlets to the nonagricultural labor force recovered the prewar level in 1949, whereas the ratio of rural outlets to the agricultural labor force is still about 15 percent below the prewar level. It should be noted, however, that the rate of increase in the ratio of rural outlets to the agricultural labor force has been slightly faster in the postwar years than that of urban outlets to the nonagricultural labor force, which has remained relatively constant since 1950. The present more favorable ratio of urban outlets to the nonagricultural labor force than of rural outlets to the agricultural labor force is further emphasized by the fact that some nonagricultural workers, for example, lumbermen, are serviced by rural retail outlets. Table 4 indicates, therefore, that although the ratio of retail outlets to the total labor force has declined since 1940, the nonagricultural labor force, which was better serviced by retail outlets than the agricultural workers in 1940, was in 1952 in an even better position in that respect than the nonagricultural labor force. It appears, therefore, that the Soviet government has devoted more attention to meeting the demands of the nonagricultural labor force for consumers' goods than it has to meeting the needs of the nonagricultural workers for such items.

C. Significance.

The recovery of state and cooperative retail enterprises from their wartime losses has been slower than planned. Even at the end of 1952 the total number of retail enterprises had not reached the planned level for 1950. The failure to achieve planned levels of retail enterprises apparently results from the unwillingness of the Soviet government to devote more than a minimum of its resources from the build-up of producers' goods and war potential in order to improve distribution of consumers' goods. For example, the ratio of retail outlets to the total labor force has declined in comparison to 1940.

Nevertheless, considerable effort has been made by the government in the postwar years to build up the number of specialized shops. Increases in the numbers of specialized shops have been spectacular in the urban network, but the rural network has lagged behind in this respect. In fact, the agricultural labor force was in 1952, as it had been in 1940, less well serviced by retail outlets than the nonagricultural labor forces and even less well supplied with retail outlets than it had been in 1940.

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Table 4

Ratios of Retail Outlets to the Labor Force in the USSR
1940, 1947-50

Year	Total Labor Force a/ (Million)	Total Outlets b/ (Thousand)	Outlets 100,000 Labor	Index (1940 = 100)	Agricultural Labor Force c/ (Million)	Rural Outlets per 100,000 (Thousand)	Rural Outlets per 100,000 (Thousand)	Index (1940 = 100)	Nonagricultural Labor Force d/ (Million)	Urban Outlets (Thousand)	Urban Outlets per 100,000 (Thousand)	Index (1940 = 100)
1940	70.4	398	565	100.0	42.5	225	529	100.0	27.9	173	620	100.0
1947	84.2	340	404	71.5	54.5	170	312	59.0	29.7	170	572	92.3
1948	85.4	384	450	79.6	54.6	197	361	68.2	30.8	187	607	97.9
1949	86.4	409	450	79.6	53.7	208	387	73.1	32.7	202	618	99.7
1950	87.2	433	497	88.0	52.8	218	473	78.1	34.4	215	625	100.8
1951	88.2	449	509	90.1	51.9	223	430	81.3	36.3	226	623	100.5
1952	88.8	463	521	90.3	51.0	228	447	84.5	37.8	235	622	100.3

a. CIA estimate.

b. See Table 2.

c. See figures in Table 2 for outlets in the Consumers' Cooperative system. Although the equations (1) between rural and Consumers' Cooperative outlets and (2) between urban and non-Consumers' Cooperative plus state outlets are not strictly true, inasmuch as there are probably still a few Consumers' Cooperative and state outlets in the rural areas, the respective exceptions should come close to offsetting one another, leaving the urban and rural totals given here reasonably close to the realities.

d. CIA estimate (figures in possession of S/L).

e. These figures are formed by adding to the figures for state outlets in Table 2 the figures for outlets belonging to cooperatives other than Consumers' Cooperatives, which are estimated (on grounds explained in Table 2) to be one-tenth of all cooperative outlets. For grounds for equating urban outlets with state outlets plus cooperative outlets other than those which belong to the Consumers' Cooperative system, see c above.

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In the years from 1950-52 the rate of expansion of the state or urban trading system has been higher than that of the cooperative, or primarily rural trading network. The state system surpassed its prewar level of enterprises in 1947, while the cooperatives barely attained the prewar number of units in 1952. The decline in the ratio of the cooperatives to the total retail trading network appears to be in the line with Marxist-Leninist theory that as progress is made toward socialization the state should gradually supersede the cooperatives and extend its control in retail trade as fully as in other sectors of the economy.

IV. Sales to the Population.

A. Introduction.

1. Official Concepts.*

Sales, or the exchange of goods for money, is not admissible under strictest interpretation of Communist principles. In its present stage of socialistic development, sales are permitted in the USSR because the state does not own all property or lay a claim to all production. In an attempt to overcome this incongruity of principle with actuality and maintain socialistic principles, official Soviet reasoning has defined retail trade turnover as the sales of items of consumption for the "material welfare" of the population, so that total retail sales is equated with total income of the population. This definition is further modified to include only "economic goods" and to exclude certain services from the official version of retail sales.

Since the above concept is inconsistent with Communist goals the feasibility of exchange without money has been tested by the Soviet government on an experimental basis. The latest of these attempts, as proposed by Stalin and called "produktobmen," is the direct exchange of goods between state industry and collective farms in central and southern Asia. 89/

At the inception of the current Five Year Plan (1951-55) the official definition of retail trade turnover was broadened to include the turnover of a wider range of goods and certain personal services. Besides

* This concept and the following discussion, except the next paragraph, are based on the definition obtained from two statistical textbooks dealing with Soviet retail trade. 88/

** "Material welfare" is planned and therefore does not allow the consumer to make decisions.

*** "Economic goods" in Soviet terminology are the goods of productive activity as opposed to goods of nonproductive activity. Entrepreneurial enterprise is a [] productive activity. See section 2 below for further explanation.

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the goods produced and usually accounted for under national economic planning the new instructions received from TSS USSR (Central Statistical Administration of the Soviet Socialist Republics) introduced for the first time into retail turnover accounting the following items:

- a. The receipts of craftshops for the repair of goods for the population.
- b. The receipts of craftshops for the making of clothing and footwear from material supplied by the customer.
- c. The sales of agricultural products, cattle, and poultry, direct from sovkhozes and the "auxiliary"* enterprises.
- d. The sales of houses and dachas.

In addition, the 1951 definition is designed to keep the volume of sales comparable to the time of sales and of delivery in order to calculate the costs of circulation and wages of the particular accounting period. Items specified for this adjustment are: subscriptions to publications, the sales of equipment and uniforms to workers (on time),** the sales of houses, and craftsmen's sales which extend over the accounting period.

The sales of goods between trading organizations, establishments, and enterprises, which according to Soviet classification are called "small-scale wholesale turnover," are also included in retail trade turnover. These sales include the turnover of goods to educational institutions; sanatoria and rest homes; orphanages; kindergartens; nurseries, and other organizations, establishments, and enterprises. The volume of sales, however, in this type of turnover is rather negligible when compared to total turnover, since it has been estimated this category accounted for less than 5 percent*** of total turnover in 1947. 91/

* In this instance the "auxiliary" enterprises are organizations for supplying workers and employees with agricultural products. 90/

** "On time," added.

*** Many sources have stated that these facilities have increased, but there is no evidence that the proportion of sales to these facilities has changed in the period since 1947.

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Except for the services noted above, all other services especially domestic and personal are omitted from the official definition of retail turnover. The major exclusions from retail trade turnover are:

- a. "Free" goods (gifts).
- b. The turnover of such services as, hairdressing, laundering, bathhouses, the theater, and so forth.
- c. The goods exchanged under the system of "produktobmen."
- d. Goods for the means of production of consumers' goods.

It is probable that in the past the items now included in the definition of retail trade turnover were too unimportant and too cumbersome to include in the accounting of the retail trade turnover system. This move is interpreted as a definite attempt to coordinate the total supply of goods with total wages and salaries so that household expenditures and goods consumption may be better equated for planning purposes. At the same time, the temporal adjustments made in the accounting of items which extended from one accounting period to another will aid the planners in making more realistic plans.

Although the over-all goal will enable the Soviet authorities to make more realistic plans, it should be pointed out that there are basic discrepancies in this concept of retail trade turnover unless adjustments have been made for the following factors:

- a. Some consumers' goods are exported.
- b. Some consumers' goods are stockpiled.
- c. Total wages and salaries not only represent purchases of goods and services, but also savings, contributions to state bonds, and union and Party dues and fees.
- d. Other consumption values are not included in retail trade turnover such as certain personal, domestic, social and recreational services and goods.
- e. A change in consumer choice may cause a deviation from planned levels whereby total income and total consumers' goods are not equal.

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2. Limitations.

Since, except for military affairs, no sector of the Soviet economy is kept more secret than the level of consumption, the method of deriving total retail trade in the USSR is indirect, and the conclusions drawn from the data presented in Table 5* should be interpreted with care. This method, however, is believed to approach the true accounting series used by the Soviet authorities and, therefore, may be considered as a first approximation of a true statistical series. Of itself the computations made in Table 8** are reasonably consistent, and most other available information is not obviously contradictory.*** On the other hand it should be pointed out that further refinements and more information on absolute values would lower total retail trade turnover. For instance, Soviet data concerning the increase of trade turnover from year to year have been relied upon and it is definitely known that Soviet relative increases are inflated.****

B. Total Sales for 1940 and 1948-52.*****

1. Estimated Total Retail Trade Turnover.

Total retail trade in the USSR in 1952 amounted to almost 565 billion rubles, or more than double the 216 billion rubles retail turnover in 1940. In value, this is an increase of 50 percent above that of 1947 and 2.6 times that of 1940. In each of the postwar years since 1947, retail trade has increased 10 to 11 percent. In the more meaningful terms of volume, growth was not so great. In these terms, as shown in Table 6,***** total sales of the state and cooperative networks increased from 175.1 billion rubles in 1940 to 389.8 in 1952, or 123 percent; and this, it should be added, is a somewhat inflated measure of the difference between the prewar era and 1952, since 1940, because of the intensification of military activity, was an abnormally low prewar year from the point of view of the volume of retail sales. When all allowances are made, however, there remains some pretty solid

* Table 5 follows on p. 40.

** Table 8 follows on p. 56.

*** See methodology in Appendix B for computations and explanations.

**** According to Soviet practice in retail trade indexes, no adjustment is made for the exclusion of goods, or the reintroduction of discontinued line, or the introduction of new goods. Thus, Soviet trade statistics use a shifting base weighted index. This type of index is contrary to Western practice, which uses for this purpose a fixed base weighted index. This type of index is contrary to Western practice, which uses for this purpose a fixed-base weighted index.

***** See Table 5, below.

***** Table 6 follows on p. 40.

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evidence to substantiate the conclusion that retail sales to the Soviet population are today appreciably above the level of prewar years. Certainly they are far above the level of 1947, the increase in volume between this year and 1952 being 163.4 percent for the state and cooperative networks.

2. Retail Trade Turnover Breakdown by Channel.

Of the total 565 billion rubles of retail trade turnover in 1952 the state and cooperative trading system accounted for about 90 percent, the balance being taken up by the kolkhoz market. Although total retail trade turnover increased 2.6 times by 1952 over 1940, state and cooperative retail trade increased 2.9 times in this period. During 1952, state retail trade turnover is estimated to have accounted for almost 70 percent of the total turnover. In 1950 the state system accounted for 75 percent of total state and cooperative trade turnover. ^{92/} Moreover this proportion approximates the 73 to 27 ratio that existed in 1940 between state and cooperative retail trade turnover.

During the postwar period, cooperative turnover probably has never amounted to much more than 25 percent of total retail trade in the USSR. (See Table 5, below.) Of total cooperative turnover in 1947, Consumers' Cooperatives accounted for over 90 percent. ^{93/} Cooperative retail trade was reintroduced in the urban centers in 1946 after a lapse of 11 years, during which time the cooperatives serviced only the rural population. This was because of the fact that the shortage of goods was so pronounced in the state trading system that the government permitted Consumers' Cooperatives to establish trade outlets in large cities. And, in 1950, Consumers' Cooperatives accounted for over 25 percent of total state and cooperative retail trade. ^{94/} As more goods became available, however, the state reversed its earlier decision to permit cooperative trade in the urban centers, and starting in late 1949, Consumers' Cooperative enterprises in the cities were gradually transferred to the state system. It is thus likely that the percentage figure for 1950 is higher than those for later years.

Official data concerning the kolkhoz market in the postwar period have been veiled and very unenlightening. Pravda of 13 March 1949 states that in 1948 kolkhoz trade was somewhat larger than that of 1940, and Lifits states that 1949 kolkhoz trade amounted to 12 percent of total trade, not taking into account differences in prices. Thus, despite the fact, verified by a number of sources, that in 1950, kolkhoz trade was higher than in 1940, indications are that it was not much more, and, in any case, has not increased nearly as much as the other sectors of the trade proportion to total retail trade has in the last 3 years been reduced even below the 12 percent which represented its share in 1949. ^{95/}

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Table 5

Value of Retail Trade Turnover in the USSR Total and by Major Channels
1940, 1947-52

Billion Rubles					
Year	Total	Major Channels			
		State and Cooperative	State	Cooperative	Kolkhoz
1940	216.3	175.1	128.5	46.6	41.2
1947	375.6	335.6	257.4	78.2	40.0
1948	411.4	366.4	274.8	91.6	45.0
1949	445.7	397.2	297.9	99.3	48.5
1950	487.9	443.9	332.9	111.0	44.0
1951	535.2	486.2	364.7	121.5	49.0
1952	564.5	514.5	385.9	128.6	50.0

Table 6

State and Cooperative Retail Trade in the USSR
Value, Volume, and Index of Retail Prices a/*
1940, 1947-52

Year	State and Cooperative Retail Trade Value		State and Cooperative Retail Trade Volume		Retail Price Index d/ (1940 = 100)
	Billion Rubles b/	Index (1940 = 100)	Billion Rubles c/	Index (1940 = 100)	
1940	175.1	100.0	100.0	175.1	100.0
1947	335.6	191.7	226.8	148.0	84.5
1948	366.4	209.3	199.4	183.8	105.0
1949	397.2	226.8	176.2	225.4	128.7
1950	443.9	253.5	146.6	302.8	172.9
1951	486.2	277.7	138.4	351.3	200.6
1952	514.5	293.8	132.0	389.8	222.6

Footnotes for Table 6 follow on p. 41.

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Table 6

State and Cooperative Retail Trade in the USSR
Value, Volume, and Index of Retail Prices a/
1940, 1947-52
(Continued)

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- a. The "kolkhoz market" is discussed elsewhere.
- b. The 1940 figure is given in many sources; figures for 1947-52 are taken from Table 8 in Appendix 3 and are derived by a method explained in conjunction with the table.
- c. The figures in this column are the quotients obtained by dividing counterparts in column 1 b; counterparts in column 3 -- that is, by adjusting the value figure for each year by the amount of the corresponding figure representing price level.
- d. Computation is discussed in Appendix B, 5a. It should be emphasized, here, however, that the reliability of this series as an indicator of actual price changes rests on the assumption that planned decreases in price level (derived as explained in Appendix B) were realized.

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3. Growth of State and Cooperative Retail Turnover at the Expense of the Kolkhoz Market

The expansion of the state and cooperative trade turnover, which has taken place during the last few years, is attributed not only to expanded territory, increased production, but also to the Soviet policy of centralization. This expansion is being carried out to the detriment of the kolkhoz market, which, if there has been any increase in this turnover, is not very significant when compared to total trade turnover, and is never sales increases which would have occurred naturally in this market were it not taken over by the state and cooperative trading network. The increases of planned sales for state and cooperative trade turnover left little to be expected for the kolkhoz market in 1950. This recalls Soviet policy pursued between 1933 and 1937 when the kolkhoz share of total turnover dropped from 18 percent to 12.5 percent. 96/ It should also be noted that rationing was abolished, and prices were reduced in the state and cooperative system both in the period between 1933 and 1937, and 1947 and 1953.

One of the strongest indications that the role of kolkhoz market is gradually being reduced is the disparity in the reduction of prices in the controlled trading system and that of the free system. During 1949, prices are estimated to have been reduced 15 percent* in the state and cooperative system, although prices fell 30 percent** on the kolkhoz market. 97/ Another feature of the price reductions, especially those of 1951 and 1952, is that of total savings to the population realized from the various price cuts of consumers' goods. The proportion which accrued to those trading on the kolkhoz market was more than the kolkhoz share in total retail trade turnover. 98/

It has also been pointed out by the planners in one case that plans for satisfying, through the kolkhoz market, the demand of the urban population for meat were unfulfilled by 5 percent 99/ because of the price reductions in the kolkhoz market in the autumn period.

Other factors indicating that official policy intends to reduce the role of the kolkhoz to a nonentity are expressed in other actions. For example, the introduction of "produktoobmen" will tend to induce the kolkhozniki into this specialized collective system through privileges.

* See section below discussing "produktoobmen."

** Assuming the supply was plentiful it should be pointed out that prices in the kolkhoz market would fall proportionately more than prices in the state and cooperative markets, since prices in the kolkhoz market were a great deal higher than the fixed prices.

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granted, such as supplying goods not available to the kolkhoz and by discriminating in price or value. Another instance leading to this conclusion is that income taxes have been increasing at an increasing rate in recent years, and there has been no indication that these taxes have been raised on urban workers, thus leaving the balance of these increases to be furnished by the agricultural sector of the economy.* In this respect it should be noted that the incidence of the currency reform in 1947 did not effect redeposits of state enterprises but treated the cooperative and the collective farmer less favorably -- that is, the exchange of old rubles for new rubles were 1 for 1 in state-owned enterprises and at varying rates (3 to 1 or 10 to 1, and so forth) in other sectors of the economy.

As for personal opinions, the former British Ambassador to Moscow, Sir David Kelly, has stated that the role of the kolkhoz will be reduced in the future. 100/

4. Compared to Plan.

There has been no postwar information concerning the forecasts for retail trade except in the over-all announcements of the two postwar Five Year Plans (1946-50 and 1951-55). In the period covered by this report there have been announced increases of the current year over the previous year in "comparable prices," for every year except 1948. This is considered odd, since all reports and computations point to the fact that 1948 was a banner year (second only to 1950) not only for the USSR as a whole, but also for the individual Soviet citizens, as several computations indicate that 1948 exceeded retail trade turnover in the state and cooperative sector in 1947 by almost 25 percent. (See Table 8, Appendix B.) The only postwar year in which the retail trade plan was fulfilled was 1950, and 1948 was the only year in which the planned fulfillment dropped more than 5 percent points below being fulfilled. It should be noted that if more information were available, the year 1948 might be somewhat less than the 24.2-percent increase over 1947 as computed.** It is a possibility that Soviet authorities did not care to mention an increase in 1948 over 1947, since the total amount did not exceed the increase of 1946 over 1945 and that of 1947 over 1946. It is also possible that the value of retail trade in 1948 was considerably reduced by restrictive monetary and fiscal policies. Indicative of this is the fact that turnover taxes were 33.1 billion rubles below those planned in 1948. Other factors that may have caused state and

* During the postwar period there has been evidence that income tax rates have been increased on the farmer, while the income tax rates on urban workers have remained constant.

** See Appendix B.

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cooperative retail trade to fall behind plan may be that the population did not care to buy shoddy goods and that the services offered were very inefficient.*

If the computations in Table 5, above, are nearly accurate and the current rates are extended to the end of 1955, total state and cooperative retail trade will exceed 560 billion rubles, or 28 percent above 1950. The volume of retail trade, however, will have increased by 70 percent if the systematic price reductions are continued until the end of 1955.

C. Sales per Capita.

1. Limitations.

The data presented in Table 7,** upon which are based the following statements about per capita sales, are, like those of Table 4, above, subject to extensive revision and criticism upon obtention of more complete information than is presently available. Not only do they take no account of kolkhoz trade and possible variations in the extent to which it services different segments of the labor force, but they are grounded on a number of assumptions which are known to be not completely true. Principal among these are: (a) that the state network services nonagricultural workers exclusively and (b) that the cooperative network services agricultural workers exclusively. The statements about per capita sales made in this section are, therefore, incorrect to the extent the defects of the assumptions fail to cancel out. Since there is a probability, however, that some such canceling does take place, it can be contended that the general usefulness of the conclusions reached is not seriously impaired.

2. Per Capita Sales Trends for the Whole Labor Force.

Based on the value of state and cooperative trade in current rubles, per capita sales to the labor force in the USSR reached the figure of 5,794 rubles in 1952 -- a figure which is 133 percent above the corresponding figure for 1940. In volume, this figure is reduced to 4,390 rubles and the percentage excess above 1940 to 77 percent. The rise in the postwar years (1947-52) was approximately 150 percent although the annual rate of increase during these years has recently tended to slacken.

* Many statements concerning shoddy goods and inefficient service were placed on the Ministry of Trade during 1948 and 1949.

** Table 7 follows on p. 45.

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Table 7

State and Cooperative Retail Trade in the USSR
Value and Volume of Sales per Capita Employed
Nonagricultural and Agricultural Worker a/
(Continued)

Year	Numbers in Labor Force b/			Volume of Sales per Capita			
	(Millions)			Sales per Capita		Index	
	Total	Nonagricultural	Agricultural	Total f/	Nonagricultural g/	Agricultural h/	(1950 = 100)
1949	86.4	32.7	53.7	2,609	5,171	1,050	104.9
1950	87.2	34.4	52.8	3,472	6,601	1,434	139.6
1951	88.2	36.3	51.9	3,983	7,258	1,692	160.2
1952	88.8	37.8	51.0	4,390	7,735	1,912	176.5
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3. Per Capita Sales Trends for the Agricultural and Nonagricultural Labor Force.

The divergence between average agricultural and nonagricultural labor force per capita sales was still 4 to 5 times in favor of the non-agricultural labor force in 1952, or approximately the same as it was in 1940. Although the indexes point to the existence, in recent years, of a slow shift in favor of the agricultural labor force, showing 175 percent as the ratio between 1952 and 1940 sales per capita this group, as against 168 percent for the nonagricultural labor force, the smallness of the shift, in conjunction with the deficiencies of the data upon which the indexes are based, precludes attaching much significance to it.

D. Significance.

Retail sales to the population on the USSR are now appreciably above the prewar level of 1940 and considerably above that of 1947. This conclusion remains even after allowances are made for price increases and for growth in population. In the most meaningful terms used here -- volume per capita labor force -- sales in 1952 were 77 percent above sales in 1940 and 150 percent above sales in 1947. Given the lack of substantial change in the basic wage rates and the increase (albeit slow increase) in the average annual wage, the further conclusion seems warranted that in terms of material welfare the average Soviet worker is today not only better off than he was in 1947, but better off, even, than in 1940.* 101/

Although per capita sales to the entire labor force have shown a large increase, there is as yet no significant sign of an increase in the share of sales that goes to the average agricultural worker, as contrasted to his nonagricultural counterpart. To the latter there continues to be sold from 4 to 5 times as much as to the former, which would seem to indicate that Soviet policy of favoring the industrial worker, which dates from the inception of the first Five Year Plan (1928-32) remains unchanged.

To this evaluation of the data on sales one reservation in particular should be added and that is that figures for 1951 and subsequent years are undoubtedly inflated to a certain extent as a result of the broadening of the concept of retail trade discussed above. On the other hand, attention should be drawn to the possibility that this inflationary effect has been in some degree offset by an opposite effect

* See footnote *** on p. 2.

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resulting from an increase in the type of transactions called for by the new theory of "produktobmen" which, because carried on directly without the passing of money, escape inclusion within sales totals.

Another conclusion to be drawn from this consideration of sales data is that the role of the kolkhoz markets is apparently being reduced and their scope of operations increasingly limited. Monetary policy, tax information, the 1951 revision of trade accounting, and the introduction of the system of "produktobmen" all lend support to this view.

V. General Significance.

An examination of the trends indicated by data for 1940 through 1952 on the establishment of retail trade outlets in the USSR, on their sales to the population, and on the ratios of outlets and sales respectively to the labor force, lead to a number of conclusions of broad significance. Most important of these is the conclusion that the level of consumption of the average Soviet worker increased considerably in the postwar years and in 1952 was appreciably higher than that of 1940. This conclusion is strongly suggested by the fact that sales figures, when adjusted for price increases and increases in population -- that is, when cast in terms of volume per capita labor force -- show an over-all growth of 77 percent for the period mentioned. It is made more secure by the additional information that the average annual wage, during the same period, was rising slowly but steadily.**

A second conclusion of importance is the conclusion that the gap between the level of consumption of the nonagricultural segment of the labor force and that of the agricultural segment, already wide in 1940, did not narrow significantly with the succeeding years, and in 1952 remained much the same. This conclusion depends on assumptions that sales of the state system are for all practical purposes equivalent to sales to the nonagricultural labor force, while the sales of the cooperative system are similarly related to sales to the agricultural labor force. The limitations and qualifications of the above-mentioned assumptions which have been discussed previously, are not to be passed over lightly. The correlation involved, however, is believed to approximate the reality and provide a reasonably sound basis for the conclusion.

An additional conclusion of potentially considerable significance for the future is that the Russians appear, in the period mentioned, to have been making slow but sure progress toward their eventual goal. As

* See Section IV, A, 1, above.

** See footnote ** on p. 2.

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stated in the beginning of this report, this goal is the completion of the process of socialization through the merger of all networks under the direct control of the state, which Soviet theory describes as the precondition for reaching the still more distant goal of substituting the direct exchange of goods for the "money-for-goods" type of transaction presently prevailing.

Progress toward the goal of completing socialization is indicated by the fact that the state network of the Soviet trade system appears to have expanded more rapidly from 1940 to 1952 than either the cooperative or kolkhoz networks. The percentage of state retail outlets to the total number of state and cooperative outlets increased from 37 percent in 1940 to 45 percent in 1952, whereas the ratio of the total cooperative system to the total number of state and cooperative outlets fell from about 63 percent in 1940 to about 55 percent in 1952. In addition, the state and cooperative percentage of total sales has increased in 1952 as compared to 1940, whereas the kolkhoz percentage has decreased by about one-half. The ratio of state outlets to the nonagricultural labor force has maintained a slight but roughly constant increase over the 1940 level during that period in contrast to a decline of about 15 percent in the ratio of cooperative outlets to the nonagricultural labor force.

Prospects are good that state trade will continue to expand at the expense of the two other trading systems, and it is even possible that its rate of expansion will accelerate in future years. This possibility is supported by historical precedent and the seeming emphasis given to it by important officials at the 19th Party Congress in October 1952.

Malenkov, Chairman of the USSR Council of Ministers, stated that collective farm property would eventually be abolished in favor of "general public property," that the sale of commodities would be replaced by direct exchange, and that a central authority would be established to determine production and distribution for both state industries and collective farms. Following Stalin, Malenkov added that this would not occur in the "near future" but would take place steadily, without hesitation at some unspecified date. 102/

Furthermore, A.I. Mikoyan, Minister of Home and Foreign Trade, stated that a great reorganization must occur in the work of trade and supply organs in the sphere of exchange between town and country. He stated that it was necessary, as advised by Stalin, to reduce step by step the sphere of action of trade circulation; expand the field of produce exchange, including the surpluses of collective farm production in the general state planning; and prepare for a gradual transition to the Communist method of distributing the products of labor. 103/

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In the past the state has shown a tendency to extend its control over trade whenever it felt reasonably confident of its ability to provide the population with needed goods -- that is, in times of relative plenty. At the end of the peacetime rationing period in 1935 and again in late 1949, when goods were becoming more available, the Consumers' Cooperative system was forced to concentrate on serving the rural population, leaving the supply of the urban population largely to the state.

Conversely, contractions in the state trading system and consequent pauses in the rate of socialization of the trading system have occurred only when the government had difficulty in distributing adequate supplies to the population. For example, in 1946, when the numbers of state outlets were still seriously depleted by wartime destruction, the Consumers' Cooperatives were permitted to reopen retail outlets in the urban areas probably in part to ease the burden on the state distribution system. Similarly, the state legalized the kolkhoz market in 1933 to stimulate agricultural production and supplement state and cooperative trade in seasonal foods at a time of shortages. Thus it appears that the state, barring unexpected difficulties in the supply of consumers' goods, will move slowly but surely, as it has done in the past, toward the realization of its Marxist-Leninist goals in retail trade.

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APPENDIX A

METHODOLOGY

1. Organization of Soviet Retail Trade.

The sections on organization of Soviet retail trade are a synthesis and condensation of intelligence obtained from the various sources listed in Appendix C.

2. Number of Retail Enterprises in the USSR 1940-52 by Major Channels -- Table 2.

The estimates made in Table 2 are based on the linguistic assumption that the term "trading enterprises" as used in Soviet publications, and other sources refers to all types of retail outlets, specifically including public feeding enterprises, with the exception of mobile trading units. These estimates are based on the further assumption that loosely specified spans of time during which increases in numbers of trading enterprises are said to occur (that is, 1947-52) extend from the beginning of the first year mentioned (or, for the purposes of Table 2, from the end of the year preceding the first year) to the end of the last year mentioned (or, in the example given, from December 1946 to December 1952).

Estimates have been formed by starting from relatively firm figures for a few years and working forward by adding known increases to those benchmarks or working backward by subtracting from them known increases in earlier years. The relatively firm figures in question are those for 1940 and 1947 for both the total number of state and cooperative enterprises and the number of Consumers' Cooperative outlets. The 1940 figures are derived from the State Plan for 1941 and are generally accepted. The 1947 figure for total number of state and cooperative enterprises is derived indirectly from an official source and is considered relatively reliable, although there is some uncertainty as to whether it includes public feeding enterprises. The 1947 figure for the number of Consumers' Cooperative enterprises is an absolute figure from a Soviet source.

The 1947 figure for Consumers' Cooperative enterprises is particularly important, since to it has been added the 57,000 enterprises by which the Consumers' Cooperative system increased in rural areas from 1943 to 1 October 1952 to obtain the 1952 figure. It has been assumed that additions to the Consumers' Cooperative system in the towns, in the early part of this period, were offset by the known outback of this part of the

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system in 1949, and 57,000 is taken to be a measure of the net growth of the entire Consumers' Cooperative system and added to the 1947 figure to give a total for 1 October 1952. The 1 October 1952 figure has been adjusted to take care of the probable growth in the Consumers' Cooperative trading system through December 1952. If the assumption that the period 1948 to 1 October 1952 begins with December 1947 is incorrect, and the interval starts in December 1948, the 1952 figure for the number of Consumers' Cooperative retail enterprises would be substantially larger.

In establishing a figure for the number of Consumers' Cooperative enterprises in 1951, the figure given in Lifits, Sovetskaya Torgovlya i Yeye Rol' V Ekonomicheskoy Zhizni Strany, 1951, has been rejected as a basis for our estimate. 104/ The figure given in the above-mentioned source is 200,000 outlets plus 24,000 public feeding enterprises. This figure applies presumably to mid-1951, when the book went to press, which means that an estimate for the end of 1951 would be about 228,000 or 230,000 enterprises, or from 5,000 to 7,000 higher than the figure estimated in this report. The 1951 estimate for the number of Consumers' Cooperative enterprises has been built up by adding clearly specified increments to the 1947 base. Moreover, Lifits' figure is a rough one, and if it had been used, the ratio of additions to the Consumers' Cooperative enterprises in 1951 to the total increments of enterprises in all trading systems in that year would have become unreasonably large.

An undocumented figure of 250,000 enterprises given in the USSR Information Bulletin of 10 August 1951 as a total of outlets of all kinds within the Consumers' Cooperative system has also been rejected. 105/ The reasons for discarding this figure are, in addition to those given above for rejecting Lifits' total, that the figure given by the USSR Information Bulletin is considerably larger even than that of Lifits, which presumably refers to the same date, and that it is very close to the figure we have developed for the total number of cooperative outlets of all kinds.

The totals for the number of cooperative retail enterprises of all types in all years 1940-52 have been formed by increasing the figures for total number of Consumers' Cooperative outlets in accordance with an assumed ratio of 10 percent between the outlets of the Invalids' and Industrial Cooperatives and total cooperative enterprises. This ratio was derived by rounding very roughly the mean between those ratios for January 1948 as given by Schwartz in Russia's Soviet Economy, 106/ and for certain prewar years as given in Socialist Construction in the USSR. 107/

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All totals for the number of state retail enterprises have been formed by subtracting the total number of cooperative retail enterprises from the total number of state and cooperative retail enterprises in all years from 1940 to 1952.

The 1940 figure for number of Consumers' Cooperative retail enterprises and for the total number of cooperative retail enterprises does not include outlets in the Baltic Republics. It is not certain whether the 1940 figures for the number of kolkhoz markets, number of state retail enterprises, and total number of state and cooperative enterprises include outlets in the above mentioned localities. It is assumed, however, that all totals in the postwar period include enterprises in the Baltic Republics.

All figures in Table 2 have been rounded to the nearest thousand.

3. Ratios of Retail Outlets to Labor Force in 1940 and 1947-52 -- Table 3.

Figures for the number of urban and rural retail outlets used in this table are based on assumptions, which are explained in the table itself.

4. Numbers of Retail Enterprises in the USSR (Explanation).

This section merely interprets and analyses trends observed in Tables 2 and 3.

5. Methodology of Tables 5 and 6.

The series forming the principal content of these tables -- notably, the value of Soviet trade in current rubles and the price index which permits the conversion of this series into a volume series -- are based on Table 8.* A discussion of method must therefore begin with the latter.

a. Method Underlying Table 8.

Procedures used to compute current-value figures shown in Table 8 (line 12) are the same, with slight modifications, as those used by Edward L. Ames to compute a similar table in a monograph which appeared in 1951. 108/ With a figure for 1947 as a starting point, these procedures entail building upon it corresponding figures for later years that take account of intervening price reductions by utilizing official data on: (1) turnover tax revenue, planned and realized; (2) planned savings from price reductions; and (3) realized increases in the volume of turnover.

* Table 8 follows on p. 56.

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1947 is chosen for a starting point because it is the only postwar year for which the Russians issued relatively complete data. The figure for this year, 335.6 billion rubles, represents total state and cooperative turnover. It is derived by combining the information that turnover in the Consumers' Cooperatives sector amounted to 70.4 billion rubles 109/ with the information that Consumers' Cooperatives accounted for 90 percent of total cooperative turnover 110/ and the information that state turnover accounted for 76.7 percent of combined state and cooperative turnover. 111/

Table 8

State and Cooperative Retail Trade in the USSR
Computation of Values, Prices, and Quantities a/*
1948-52

	Billion Rubles					
	Year					
	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
1. Planned turnover from tax re- venue <u>112/</u>	254.7	280.6	262.2	239.1	244.6	260.7
Planned savings to the popu- lation from price reductions						
2. Planned over 12- month period following re- ductions <u>113/</u>		57.0	48.0	80.0	27.5	23.0
3. Planned during calendar year <u>b/</u>		57.0	43.8 <u>114/</u>	71.6	24.9 <u>c/</u>	21.0
4. Turnover tax on planned volume, assuming no price reduction (1+3)		337.6	306.0	310.7	269.5	281.7
5. Realized turnover tax revenue <u>116/</u>	239.9	247.5	245.5	236.1	247.8	N.A.

* Footnotes for Table 8 follow on p. 58.

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Table 8

State and Cooperative Retail Trade in the USSR
Computation of Values, Prices, and Quantities
1948-52
Continued.

	Billion Rubles					
	Year					
	1947	1948	1949	1950	1951	1952
6. Turnover tax revenue on realized volume and prices, date of price reduction	239.9	247.5	241.3	227.72	245.2	N.A.
7. Planned volume of trade, percent of previous year (446 of previous year)		140.5	123.6	128.8	114.4	114.9
8. Value of trade, at prices of previous year, and planned volume of given year (7x12) of previous year		471.5	452.9	511.6	525.6	558.6
9. Value of trade, at prices and planned volume of given year (8-3)		414.5	409.1	440.0	500.7	537.6
10. Realized volume of trade, in percent of previous year <u>117/</u>		124.2 d/	120.0	130.0	115.0	110.0
11. Indicated percentage fulfillment of retail trade plan (10:7)		88.4 d/	97.1	100.9	97.1	95.7

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Table 8

State and Cooperative Retail Trade in the USSR
Computation of Values, Prices, and Quantities

1948-52

Continued

	Billion Rubles					
	Year					
	1947	1948	1949	1950	1951	1952
12. Indicated value of re-tail trade, as fulfilled (9x11)	335.6 e/	366.4	397.2	443.9	486.2	514.5
13. Indicated planned price level, given year as a percent of previous year (100-3÷8) f/		87.9	90.3	86.0	95.3	96.2
14. Indicated planned percentage decreases in prices in price cut (for 1940-51 equal to (100-13)x1.2 to "move forward" date of price cut from date of reduction to 1 January); for 1952, (100-13) x1.3 f/		12.1	11.6	16.8	5.6	4.6

a. This table is a revision and extension of table found on page 18 of Edward L. Ames, Soviet Retail Trade and Prices, 1940-51, Federal Reserve Board, Washington, D.C., Dec 1951. R. See Appendix A, 5, a for explanation of method.

b. The 1948 calendar year was the same as the 12-month period following price reductions. 1949 figure is given in source noted. The same rough proportions are assumed for 1950 through 1952 that existed in 1949.

c. Another source cites as 26 billion rubles. 115/

d. Computed through modification of principal method, explained in Appendix A, 5, a.

e. For computation, see Appendix A, 5, a.

f. It should be clearly understood that "indicated" here means "indicated" by data on savings and value of trade in line 8 as planned rather than as actualized. For further discussion see Appendix A, 5, a.

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From the 1947 figures and the additional data referred to, the progression to figures for later years is marked by the working out or direct obtention of three principal intermediate quantities. These are: on line 7 of Table 8, the planned increase in turnover volume of the new over the previous year; on line 9, the value of trade in the new year, at the prices and planned volume of this year; and, on line 10, the realized increase in turnover volume of the new over the previous year. Realized volume increase, line 10, is supplied by official sources for every year except 1948. Application of it to planned volume increase, line 7, is readily seen to produce a percentage figure representing degree of fulfillment of plan, which in turn is readily seen, through application to the value of trade in the new year, at the prices and planned volume of the new year, line 9, to yield the desired result of a value figure for the new year, at its prices and realized volume, line 12. The derivation of line 7, planned volume increase of the new over the previous year, and line 9, the value of trade in the new year, at the prices and planned volume of this year, are adequately explained in the table itself.

Of the general method, as outlined above, the derivation of the value-figure for 1948, 366.4 billion rubles, represents somewhat of a modification. The modification consists in the fact that, in the absence of an officially supplied figure for realized volume increase over 1947 (line 10), percentage fulfillment (line 11) is calculated by applying realized turnover tax revenue (line 6) to planned turnover tax revenue (line 1) and becomes the determinant of realized volume increase (through application to planned volume increase in line 7), rather than its derivative, as in the case of the other years.

The procedure used to obtain decreases in the price level brought about by the price reductions -- line 14 of Table 8, on which is built the price index of Table 6 and so, indirectly, the volume series of that table -- entails, quite simply, taking planned savings for the balance of the calendar year (line 3, derived as indicated in the Table) and applying them to figures for the value of trade, at prices of previous year, but planned volume of given year (line 8). The decreases are fashioned into the index of Table 6 by being linked together and then placed upon a 1940 base, the assumption making this possible being that the price level of 1948 was twice that of 1940. The volume series of Table 6, finally -- giving total state and cooperative trade in constant rubles -- is obtained by dividing each term of the value series by the amount of the corresponding term of the price index.

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b. Assumptions Underlying Method.

Of a number of assumptions that underlie the method described above, there are 3 in particular that need to be pointed out in order to guard against erroneous interpretation of Table 8 and the 2 earlier tables dependent upon it.

The first of these is the assumption that in Soviet accounting practice, savings to the population which are planned to result from price reductions are planned at the expense of turnover tax revenue, and nothing else (as, for instance, the profits of enterprises producing consumers' goods). How strong this assumption is cannot be gauged. Its practical importance in the present context, however, does not appear to be very great, since a separate calculation made by Dr. Ames resting on a broader assumption (namely, that savings affected deductions from profits of enterprise as well as turnover tax revenues) yielded results differing by less than 1 percent from those based on the narrower one -- that is, the one made here. 118/

The second assumption of importance is the assumption that the figures for price decreases found in line 14 of Table 8 -- which, strictly speaking, are figures standing for planned price decreases, being derived from data on savings and turnover value as planned for the year in question rather than realized -- are a fair gage of price decreases as actualized. The importance of this assumption is measured by the fact that upon its accuracy depends the accuracy not only of the figures in question but the entire price index as well and the volume series based thereon. The reasons for making it are: (1) if any estimate is to be made of price decreases as actualized, and if it is impossible, as here, because of lack of data on realized savings, to make such an estimate directly, by dividing realized savings by realized turnover, then the assumption of some planned-to-actual relationship is unavoidable; and (2) reaching the actualized price decreases by assuming planned price decreases to be realized (computed by dividing planned savings by planned turnover value) is as reasonable as the most available alternatives -- namely, (a) assuming planned savings to be realized and dividing by actualized turnover value, or (b) assuming a fixed proportion between realized and planned savings (to the establishment of which there are 1 or 2 unimpressive clues), applying it to the planned figures, and then dividing by figures for actualized turnover value. Fortunately, it might be added, the issues involved here are not of great account when measured by differences in results. Where proceeding on the assumption elected by this paper brings the price level down from 199.4 in 1943 to 132.0 in 1952, proceeding as in (a) above would bring it down from 199.4 to about 125.0 and in (b) from 199.4 to 128.0.

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The third assumption of importance in Table 8 is the assumption of a 2 to 1 ratio between 1948 and 1940 price levels. In support of this assumption it can be said that the general relationship is corroborated by the results of making a brief comparative survey of prices of a number of specific commodities in 1940 and 1948, and the results of making a similar survey for 1940 and 1937 and comparing the 1940 level in terms of 1937 (160, when the 1937 level is treated as 100) with the 1948 level in terms of 1937 (or 319) worked out in the Rand Studies. 119/

c. Checks.

Information not incorporated into Table 8 provides a check in the case of a number of its figures, principal among which are the following:

(1) 1948 Figure for Value of Turnover (Table 8) -- 366.4 Billion Rubles.

This figure is checked by the information that cooperative sales in 1948 increased by 17 percent over 1947, 120/ taken in conjunction with the assumption that the state proportion of total state and cooperative trade, which was 76.6 percent in 1947, remained at about 75 percent and consequently the cooperative percentage at 25 percent, 117 percent of the 1947 cooperative figure of 78.2 gives a 1948 figure of 91.6, which is seen to be exactly 25 percent of 366.4.

(2) 1951 Figure for Value of Turnover (Table 8) -- 486.2 Billion Rubles.

A projection of reported turnover data for part of this year gives a result pretty close to this figure. The reports in question were to the effect that the Ministry of Trade and Tsentrosyuz (Consumers' Cooperatives), respectively, did 31.5 and 19.4 billion rubles worth of trade during the first 2 months. 121/ On the assumption that the shares of these 2 in total state and cooperative trade were respectively 40 percent and 25 percent, and that their rate of doing business remained constant through the year, total trade turnover for the entire year and the entire state and cooperative trading system becomes 460.8 billion rubles. The further assumptions that the figure reported for the Consumers' Cooperatives excludes turnover of the Producers' Cooperatives, and that the share of the latter in total cooperative trade remained at 10 percent, yield a total figure of 489.7 billion rubles, which compares favorably with 486.2 rubles reached by the calculation of Table 8. Of course, the rate of turnover does not remain constant throughout the

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year, and it has been pointed out that turnover for the first 2 months is usually 8 to 10 percent less than during the last 2 months of the preceding year. Unless there occurred, however, a preponderance of change in one direction in the rate of turnover during the last 10 months of the year, and there have been no indications of this, the 1951 figure is not too far off.

(3) 1952 Figure for Value of Turnover (Table 5) -- 514.5 Billion Rubles.

This figure is checked pretty well by results obtained from information that the volume of retail trade turnover increased 2.9 times in the period from the end of the war up to the end of 1952, 122/ and known data on cooperative turnover for 1947 and its relation to turnover in 1945. The facts that cooperative turnover in 1947 was 78.2 billion rubles, that this was twice its amount in 1945, and that the amount in 1945 was 22 percent of total state and cooperative trade 123/ yield the conclusion that total state and cooperative turnover in 1945 was 177.7 billion rubles. 177.7 multiplied by 2.9 gives a result of 515.3 billion rubles, which compares favorably with the result reached by the table.

(4) Relationships Involving the 1952 Figure for Volume of Turnover (Table 6) -- 389.8 billion rubles.

The relationships between this figure and volume figures for 1948 and 1950, respectively, are checked pretty well by official announcements that state and cooperative trade turnover in 1952 was double that of 1948, 124/ and 27 percent over that of 1950. 125/ The ratio of 389.8 to the volume figure for 1948 given in Table 6, or 183.8, is readily seen to be slightly higher than 2 to 1, while its percentage of the figure for 1950 given by Table 6, or 302.8, turns out to be 128.7 percent.

7. Methodology to Table 7.

This index is in terms of units relevant to production -- that is, average sales of total turnover per available productive population. This is but the roughest of indicators since the assumptions made are not strictly adjusted, nor does stricter refinement justify the accuracy of the assumptions made.

It has been assumed that the nonagricultural labor force is serviced by the state retail trading system and that the agricultural labor force is serviced by the cooperative trading system. The breakdown by trading system is taken from Table 6.

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The following are some of the more objectionable features of the urban-rural index as herein calculated:

a. Both trading systems operate in each others' areas as defined above.

b. There are some rural workers included in the nonagricultural labor force.

c. Average sales pertains only to the state and cooperative trading network and thus excludes the turnover of the kolkhoz market, which sells goods in both the urban and rural areas.

d. Forced labor is unaccounted for.

e. Some reduction amounting to about 5 to 7 percent would scale down the total trade turnover, if the sales between enterprises were eliminated.

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APPENDIX B

GAPS IN INTELLIGENCE

Information on the organization of retail trade is abundant and detailed, but there is a considerable lack of absolute data concerning the number of retail enterprises in the USSR, particularly of the number of state retail enterprises, including those of the Ministry of Trade and the ORS, the number of enterprises of the Invalids' and Industrial Cooperative systems, and the number of sales. Even when absolute data concerning the number of these and other categories of retail outlets are available, there is frequently uncertainty as to what types of trading enterprises are included or excluded by the data and the exact date or space between dates to which the information refers. In order to improve the accuracy of estimates made in Table 2 and Table 3, more information is needed on the points mentioned above.

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APPENDIX C

SOURCES AND EVALUATION OF SOURCES

1. Evaluation of Sources.

The sources which were used in compiling this report can be classified into the following groups:

a. Soviet publications.

These publications comprise books, periodicals, plans, and press statements. They are considered reliable and furnished the bulk of intelligence concerning the organization of the retail trade system in the USSR, the number of retail trade enterprises in the various trading systems in the USSR, and retail turnover.

b. State Department Reports.

Two reports from the American Embassy, Moscow, were used consistently. One furnished the key information on which our estimates of the total number of retail enterprises in the USSR (Table 2) were based, and the other gave data concerning planned figures for certain types of retail enterprises. These documents were considered generally reliable, although there is some uncertainty as to whether the later of the two documents includes public feeding enterprises in its figures for the total number of retail trading in certain years.

c. OO Reports and SO Reports.

These reports contributed a small but fairly valuable contribution to intelligence concerning the organization of one segment of Soviet retail trade.

d. Non-Soviet Books, Pamphlets, and Periodicals.

These sources provided very useful supplemental information concerning sales, the organization of Soviet retail trade, and supporting evidence for fragmentary data previously obtained from Soviet sources concerning the number of retail enterprises in the three Soviet trading systems. In particular the paper written by E.L. Ames was relied upon as being the most useful for procedures in estimating retail trade turnover.

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2. Sources.

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
A - Completely reliable	1 - Confirmed by other sources
B - Usually reliable	2 - Probably true
C - Fairly reliable	3 - Possibly true
D - Not usually reliable	4 - Doubtful
E - Not reliable	5 - Probably false
F - Cannot be judged	6 - Cannot be judged

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation of the cited document.

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